



Daily Report

East Asia

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Japan

Matsunaga To Explain Iran Loan Freeze in U.S.

OW0404052195 Tokyo KYODO in English 0505 GMT
4 Apr 95

[FBIS Transcribed Text] Washington, April 3 KYODO—A Japanese emissary arrived in Washington on Monday [3 April] in an apparent effort to mend fences with the United States over Japan's loan program to Iran, a Japanese diplomatic source said.

Nobuo Matsunaga, who served as ambassador to the U.S. in the 1980s, will explain to the U.S. Government that Japan has decided to suspend its loan program to the Middle Eastern country, the source said.

Washington has repeatedly asked Tokyo to cancel its planned extension of a second portion of Official Development Assistance (ODA) to Tehran because the U.S. has designated Iran as a country sponsoring terrorist activities.

On March 23, a senior Japanese Foreign Ministry official said Japan will put off "by two to three months" a decision on whether to disburse the second installment of ODA to Iran.

Japan sent Matsunaga to Iran earlier in March to discuss the loan program after being given verbal assurances by Iranian President 'Ali Akbar Hashemi-Rafsanjani that Iran has never sponsored terrorist activities.

Japan resumed ODA to Iran in May 1993, thawing an 18-year freeze on official lending to that country.

Tokyo provided 38.6 billion yen in credit to Tehran as a first installment—for a hydroelectric power project on the Karun River.

The second installment was to consist of a credit of 45 billion yen.

The decision on the second portion was initially scheduled to be made last summer but was postponed due to the U.S. Government's appeal to Tokyo to scrap the financing deal.

Auto Talks 'Likely' With U.S. in Mid-Apr

OW0404094495 Tokyo KYODO in English 0922 GMT
4 Apr 95

[FBIS Transcribed Text] Tokyo, April 4 KYODO—Japan and the United States are likely to hold subcabinet-level talks on their automobile trade in Washington on April 17-18, Japanese trade ministry officials said Tuesday [4 April].

The expansion of dealerships handling foreign cars and deregulation of replacement parts in Japan will be main themes at the coming talks, the Ministry of International Trade and Industry (MITI) officials said.

The Japanese and U.S. Governments held auto trade talks in Tokyo in late March but failed to reach an accord as U.S. negotiators came up with a new proposal that would lead to the virtual abolition of Japan's car inspection system.

The MITI officials said the new proposal has forced Japan to review its planned deregulation of replacement parts, which was put forward to the U.S. side in the March talks.

Giving high priority to the auto sector in the so-called framework trade negotiations between the two countries, the U.S. is stepping up pressure on Japan by threatening to move up the deadline for taking punitive action under Section 301 of its trade law. But they said if Washington advances the deadline, Tokyo would break off negotiations and file a complaint with the World Trade Organization (WTO).

U.S. Claim of Closed Market Brushed Aside

OW0404095595 Tokyo KYODO in English 0937 GMT
4 Apr 95

[FBIS Transcribed Text] Tokyo, April 4 KYODO—Japan refuted Tuesday [4 April] U.S. criticism that its automobile parts market is closed to imports, saying restrictions account for a small 3.6 percent of the total market.

Washington claimed that imported auto parts accounted for a mere 2.6 percent of the Japanese market.

The Transport Ministry challenged the U.S. argument, citing a survey conducted by a private agency commissioned by the ministry. Automobile and auto parts trade is a major issue in Japan-U.S. negotiations for a new framework of bilateral trade.

The ministry argued that a low U.S. share of the Japanese automobile market, not import regulations, is responsible for slow imports of auto parts.

The ministry also brushed aside a U.S. claim that tight regulations on safety inspection of main automobile components constitute a barrier to U.S. exports to Japan.

It also said Japanese automobile servicing and inspection factories do not need many U.S. auto parts because only small numbers of U.S.-made automobiles are brought to them for servicing.

Government's 5-Year Deregulation Plan Reviewed

OW0304131895 Tokyo YOMIURI SHIMBUN in
Japanese 1 Apr 95 Morning Edition p 3

[Editorial: "Real Deregulation Work Begins"]

[FBIS Translated Text] The government has decided on its five-year deregulation promotion program, which it had worked on since last year.

With the 21st century approaching, this program aims to make Japan's economy open to the world, and to create a free economic society based on the concept of self-responsibility and market principles. Specifically, this plan proposes the following: To improve people's quality of life by rectifying the disparity between Japanese and international prices; to expand domestic demand and imports; and to increase business opportunities.

Although the program aims to achieve those goals by the end of March, 2000, there are many measures which should be promptly implemented to tackle Japan's pending tasks, including eliminating Japan-U.S. frictions, and correcting the imbalance of Japan's imports over its exports.

The program will be revised at the end of every fiscal year in line with opinions and demands voiced at home and abroad, and progress in implementing the program will be made public in a report entitled "Deregulation White Paper." In revising the plan every year, the government should do its utmost to promote deregulation by frontloading deregulatory steps (which are already incorporated in the program) as much as possible, and by adding more items to the plan.

Domestic and foreign organizations concerned criticized the interim report submitted recently by ministries and agencies. They said: "Many vague expressions are used for scheduling the deregulatory steps. In addition, the report does not sufficiently reflect our demands." In response, Prime Minister Tomiichi Murayama ordered the program to be reviewed.

In the final deregulation package, the schedule for implementing each deregulatory measure, and the deadline for studying pending steps are clearly presented. Among those items which had been proclaimed to be "difficult to deregulate" in the interim report, the government has decided to restudy several of these, such as a plan to lift the ban on holding companies, to "reach a conclusion within three years."

However, in making an overall examination, we cannot say this report is sufficient to fulfill its objectives.

For example, some deregulatory steps deemed crucial by business circles to revitalize the economy were eliminated from the program because of the conflicting interests of the government agencies and businesses concerned. In addition, clear-cut deregulation steps are not presented for most items included in the program.

Concerning the Large Retail Store Law, the program only says "efforts should be made to review this law as early as FY99 in line with changes in circumstances." With regard to the question of allowing holding companies, it merely says "the government will study this issue to promote discussion." Thus, it is unclear whether the government will abolish the Large Retail Store Law, and whether it will lift the ban on holding companies.

The following two plans were considered to be "difficult to carry out," and removed from the five-year package: review of the price support system for agricultural products, such as rice, wheat, and products made from milk, in preparation for abolishing the system in the future; easing of regulations regarding market entry and withdrawal of class-A telecommunications companies, which have their own communications circuits.

The government is obliged to explain to the people why it is difficult to even discuss easing some of these regulations.

Regarding the process of revising the program, the five-year package says that "after considering domestic and foreign opinions, and monitoring which will be conducted by the Administrative Reform Promotion Headquarters [ARPH], the program will be reviewed at the end of each year, and modified at the end of each fiscal year." However, it remains uncertain to what extent the opinions of the ARPH, which comprises experts from the private sector, will be reflected in the report. The law on the establishment of the ARPH is a temporary regulation, due to expire in December 1997. The system for deregulation should be strengthened by revising the law so that domestic and foreign opinions and demands will be fairly reflected in the deregulation program.

Adopting the deregulation promotion program is one of the most important tasks for the Murayama Cabinet. It will not be good if the cabinet thinks it has accomplished the task by merely releasing the program. The government now faces the real task of implementing what it promises in the program.

Tokyo To Contact DPRK 'This Week' on Talks

SK0404051895 Seoul YONHAP in English 0506 GMT 4 Apr 95

[FBIS Transcribed Text] Tokyo, April 4 (YONHAP)—The Japanese Government plans to contact North Korean authorities this week to establish a date for the two countries to resume normalization talks, it was learned Tuesday.

A working-level contact with North Korean officials said that Japan intends to discuss whether to resume the normalization talks right away or first undergo preliminary negotiations.

The contact is expected to be made through a Japanese diplomatic mission in a third country, possibly its embassy in Beijing.

The normalization talks, opened in January 1991, were suspended in November 1992 when the North refused to discuss the issue of a Japanese woman allegedly kidnapped by North Korean agents in 1978 and forced to teach Japanese language to a North Korean spy who later bombed a Korean Air (KAL) jetliner in 1987.

In the forthcoming contact, Tokyo plans to discuss with North Korea whether to hold preliminary sessions before going into plenary meetings, where and when to have the preliminary meetings, who will represent the two sides, and what the agenda for plenary sessions will be.

Vice Foreign Minister Kunihiko Saito told a press conference Monday that the timing for resuming the normalization talks won't affect the April 21 deadline, the target date for concluding the light-water nuclear reactor supply contract with North Korea under the Washington-Pyongyang agreed framework.

NHK Discussion on Delegation's Visit to DPRK

OW0304145095

[FBIS Editorial Report] Tokyo NHK General Television Network in Japanese at 0020 GMT on 2 April carries, in part two of its weekly "Sunday Discussion" program, a 55-minute roundtable discussion on the outcome of a recent visit to the DPRK by a delegation composed of members of the ruling parties. The program, aired from an NHK studio in Tokyo and moderated by NHK commentator Takashi Yamamoto, included the following guests: Foreign Minister Yohei Kono; Michio Watanabe of the Liberal Democratic Party [LDP]; Wataru Kubo of the Social Democratic Party of Japan [SDPJ], at Chitose Airport; O Se-ung, ROK reunification committee chairman, via satellite relay from Seoul; and Masao Okonogi, Keio University professor. Watanabe and Kubo were members of the delegation to the DPRK and acted as chief representatives of their respective parties during the visit.

At 0021 GMT, Yamamoto begins by asking Watanabe and Kubo how they assess the visit. Watanabe says that he is satisfied with the outcome of the visit. Kubo says that the purpose of the visit was achieved. Asked if the recent agreement between the delegation and the Korean Worker Party (KWP) on the resumption of negotiations over the normalization of diplomatic ties between Japan and the DPRK will constrain governmental negotiations, Kono says that the delegation members did their job very well as representatives of political parties. Watanabe adds that the agreement will not become an obstacle to the formation of the Korean Energy Development Organization (KEDO).

After reviewing the contents of the recent agreement, Yamamoto asks if the DPRK thinks the 1990 joint declaration between the LDP, SDPJ, and the KWP on war compensation is still valid. Watanabe says that the all the delegation could do was to admit that the agreement between the two sides on compensation for the 45-year period after World War II was a "historic fact [rekishiteki jijitsu]." Kono says: "The three-party agreement played one role in negotiations over the normalization of diplomatic ties between both countries. Our understanding is that the agreement will not restrict the government's actions." He adds that he cannot agree to providing compensation to the DPRK for the 45-year postwar period.

In response to Okonogi's assessment of the recent agreement, Watanabe says: "As I said earlier, we visited the DPRK not to have long-term negotiations. We lost our diplomatic channel with the DPRK, while the United States established a new route and Americans and North Koreans are visiting each other. Under such circumstances, we are simply informed of the outcomes of negotiations between the United States and North Korea. We are only asked to pay money or do this or do that without having our own negotiations with North Korea. This is not good for us. Therefore, we wanted to have direct negotiations. This is what we wanted. We wanted to resume governmental negotiations with North Korea. The delegation played a role of paving the way for resuming governmental negotiations."

Yamamoto asks Kono if the government will not mention the DPRK's suspected nuclear weapons development and other issues, which North Korea does not want to discuss, when it resumes negotiations over the normalization of diplomatic ties with the DPRK. Kono says: "I do not think it is necessary to intentionally avoid such issues. However, the issue of suspected nuclear weapons development, one of obstacles to our talks with North Korea, will be settled if North Korea abides by the U.S.-DPRK agreement." "I do not think there is any reason to hurriedly establish Japan-DPRK ties. However, Japan and the Philippines are the only Asian countries which do not have diplomatic relations with North Korea. All other countries have diplomatic ties with North Korea."

Moving to the issue of North Korea's refusal to accept South Korean light-water reactors, Yamamoto asks participants to explain their views on this matter. Kono says that the ROK is to play a central role in financing the U.S.-DPRK nuclear deal and "the United States is determined that there is no choice but to use South Korean reactors in the light-water project." O Se-ung says: "Many of our people are against the idea of building light-water reactors for North Korea. We were attacked by North Korea not long ago. People who fought in the war and are still alive say that it is nonsense to give funds to North Korea for constructing the light-water reactors. We should reconsider the issue if North Korea refuses to accept South Korean-type reactors requests funds—about 3 billion dollars—only." He says that the U.S. mass media's idea of putting a label which says "made in the U.S." on South Korean-made reactors is simply unacceptable, because the ROK is capable of building world-class reactors. Asked if the ROK will not provide funds if North Korea refuses to accept South Korean-made reactors, O says: "That is quite right." Kono says: "Japan said that it would supply a reasonable amount of funds on the precondition that the ROK would play a central role. I can understand how the South Korean people feel. On the other hand, however, the ROK and Japan must do something about the North Korean issue because North Korea is suspected of developing nuclear weapons. We should not be emotional in settling this issue."

Yamamoto points out that although a deadline was set for concluding a nuclear reactor supply contract between the United States and the DPRK, it may be difficult to resume negotiations with the DPRK over the normalization of diplomatic ties unless Japan forms a clear view of the situation regarding the U.S.-DPRK discussions. Kono says: "It is clear that we just cannot talk about Japan-DPRK ties or the issue of KEDO without the ROK because they are issues related to the Korean Peninsula. However, Mr. Yamamoto just mentioned the 21 April deadline. The U.S.-DPRK accord says that the two sides would do their best to sign a contract within six months. Some people do not think that the 21st is a deadline. However, there is no doubt that the 21st is a target date. Therefore, I think the United States and the DPRK will have further discussions until then." Watanabe adds: "Since we visited North Korea for the purpose of resuming the negotiations, we did not directly bring up policy issues as an agenda at our meetings. Unofficially, however, we talked about various matters." Kubo explains that he is certain that North Korea will not discard the U.S.-DPRK accord, saying: "Kim Yong-sun, who acted as a leader of the KWP delegation at the meetings, said in a very forceful manner that such things as South Korean-type reactors do not even exist. However, I am of the view that North Korea has no intention of discarding the U.S.-DPRK accord."

Asked how the Japanese Government would respond if North Korea requested supplies of rice, Kono says: "Generally speaking, it is difficult to send food to a country with which we have no diplomatic relations. It may be possible in terms of a humanitarian viewpoint. Generally speaking, however, it is very difficult."

On the resumption of Japan-DPRK negotiations, Kono says: "We have to make some preparations. Two years and several months have passed since we suspended the negotiations. As somebody mentioned earlier, the international situation has changed and the United States and North Korea have signed the accord. Also, the Ministry of Foreign Affairs must coordinate with concerned ministries. Above all, we have to be mentally prepared. Also, we have to ask for the opinions of the North Korean side on the timing of resuming the negotiations. I think the negotiations will be resumed on a day that is convenient for both sides."

The roundtable discussion ends at 0115 GMT.

Tokyo Said Contacting Other Nations on Dollar

OW0304232095 Tokyo KYODO in English 2311 GMT 3 Apr 95

[FBIS Transcribed Text] Tokyo, April 4 KYODO—Finance Minister Masayoshi Takemura pledged early Tuesday [4 April] that Japan will maintain close contact with other monetary authorities to cope with the dollar's fall.

Takemura made the remark in an emergency written statement, following the yen's move to another record high against the dollar.

In the statement, Takemura said the recent movement in the foreign exchange market does not reflect economic fundamentals.

He also said Japan will adopt a tough stance in the market to stabilize the foreign exchange situation through close cooperation with other monetary authorities.

The statement apparently showed that Japan will continue to step into the market to buy dollars, in response to selling of the U.S. currency by speculators, a market source said.

Hashimoto Urges Broad Action on Exchange Rates

OW0404033295 Tokyo KYODO in English 0318 GMT 4 Apr 95

[FBIS Transcribed Text] Tokyo, April 4 KYODO—The government should urgently take comprehensive steps to prop up the free-falling dollar and the sagging stock market, trade minister Ryutaro Hashimoto said Tuesday [4 April].

"If the current trend in the foreign exchange and stock markets continues, Japan's industry may be dealt a fatal blow," Hashimoto told a news conference.

Policy coordination by Japan and the United States alone is not enough to turn around the current trend in the foreign exchange market, Hashimoto said, proposing that other Group of Seven (G-7) countries join the two nations in defending the dollar.

Hashimoto said the Finance Ministry should "urgently get down to working out comprehensive measures to revitalize the nation's stock market."

Hashimoto's comments came after the dollar slipped below 86 yen in New York on Monday for the first time ever.

On the Tokyo stock market Monday, the key price gauge suffered the second-largest single-day drop for this year.

Hashimoto quoted Finance Minister Masayoshi Takemura as saying that his ministry will urgently begin work on crafting a broad economic and financial package, including specific measures to revive the stock market.

Takemura was also quoted as saying that the Finance Ministry will endeavor to formulate an extra budget for fiscal 1995, with a major focus on ways of assisting companies hit by the strong yen.

On the extra budget, Hashimoto stressed the need for the budget to be divided into two stages—one for reconstructing areas affected by the major earthquake that hit western Japan on Jan. 17, and the other to help mitigate the effects of the strong yen.

On ways to stimulate the stock market, Hashimoto said such measures should include a cut in brokerage commissions and the abolition of tax imposed on securities transactions, both as ways to get individual investors back into the market.

Hashimoto said his ministry will immediately start exploring steps it can take within its jurisdiction to improve the situation.

"What is, for now, most important on the foreign exchange market, is not to take measures based on the assumption that the yen-dollar exchange rates will stay at their current level," Hashimoto said.

"Getting the current rates back to normal levels—this should be a first priority," he added.

"If all attempts to achieve this priority fail, then we should consider necessary steps to respond to the new phase, including further global coordination," Hashimoto said.

During informal talks among cabinet ministers Tuesday morning, the Bank of Japan's [BOJ] silence on a call from industry for a further easing of credit, prompted a barrage of criticism from those who thought this silence had spawned the current financial situation, Hashimoto said.

"But it is useless to discuss things past," he said.

The BOJ recently unveiled a policy that would guide a key short-term money rate lower, an action which has been taken as a sign that the bank will not budge on the discount rate.

Former Official Urges Fixed Exchange Rate

*OW0404122795 Tokyo KYODO in English 1108 GMT
4 Apr 95*

[FBIS Transcribed Text] Tokyo, April 4 KYODO—A former top finance official Tuesday [4 April] advised Prime Minister Tomiichi Murayama to consider introducing fixed foreign exchange rates in the long run to cope with the yen's record-shattering surge against the dollar.

Tomomitsu Oba, former vice finance minister for international affairs, also urged Murayama to use dollar-supporting central bank intervention in coordination with other countries in the short run to deal with the high yen, Chief Cabinet Secretary Kozo Igarashi said.

Oba, now chief of the Japan center for international finance, also told Murayama that the government should take measures to promote the use of the yen in trade settlements as a midterm policy target to reduce the negative effect of a high yen on Japanese exporters, Igarashi said.

Former prime ministers Kiichi Miyazawa and Noboru Takeshita also advised Murayama on how to deal with

the yen's appreciation early last month when the yen began its latest climb against the dollar.

But the advice turned out to be in vain, with the yen continuing its climb against the dollar.

Premier Plans Budget Measures Against High Yen

*OW0404025495 Tokyo KYODO in English 0241 GMT
4 Apr 95*

[FBIS Transcribed Text] Tokyo, April 4 KYODO—Japanese Prime Minister Tomiichi Murayama said Tuesday [4 April] the government will introduce appropriate measures in its first supplementary budget to respond to the yen's sharp rise.

Murayama told reporters at the Diet, "first, we should establish a system with the United States and Germany that allows smooth concerted intervention in the foreign exchange market."

"At the same time," he said, "the government will cover the effects of the yen's rise by introducing relevant measures in the supplementary budget for the new fiscal year."

Ministers Seek Early Action To Cap Yen's Rise

*OW0404042395 Tokyo KYODO in English 0405 GMT
4 Apr 95*

[FBIS Transcribed Text] Tokyo, April 4 KYODO—Cabinet ministers Tuesday [4 April] proclaimed the need to take bold action to counter the effects of the yen's surge against the U.S. dollar and other major currencies.

At an informal cabinet talk, Prime Minister Tomiichi Murayama reiterated his anxiety over the yen's continued ascent and instructed his ministers to do their utmost to reverse the course, Chief Cabinet Secretary Kozo Igarashi said at a news conference.

"I am very worried about the yen's sharp appreciation," the premier was quoted as saying.

As a means of arresting the yen's climb, many ministers called for implementing the fiscal 1995 state budget earlier than originally scheduled and submitting to the Diet an extra budget for this fiscal year, which started Saturday, Igarashi said.

Saying the present situation concerning the yen's appreciation is "very severe," Environment Agency chief Sohei Miyashita said the government should formulate a comprehensive policy to help stabilize the currency markets.

Transport Minister Shizuka Kamei said it is necessary to make clear what stance the United States is taking on the yen's advance and the dollar's decline.

Posts and Telecommunications Minister Shun Oide sought close cooperation with the U.S. and Germany in propping up the dollar and holding the yen's rise in check, Igarashi said.

At the cabinet session, Finance Minister Masayoshi Takemura reiterated his grave concern about the yen's leap to record high levels in global currency markets. He said he has frequently compared notes with U.S. Treasury Secretary Robert Rubin, adding he believes that Japan and the U.S. share the same perception about the yen's sharp appreciation and the dollar's free fall.

The finance minister declined to comment on a possible cut in the official discount rate by the Bank of Japan (BOJ), saying the matter is exclusively under the jurisdiction of the central bank. He also acknowledged the need for earlier implementation of the fiscal 1995 national budget and compilation of a supplementary budget.

At Tuesday noon in Tokyo dealings, the dollar was changing hands at 86.18-20 yen after slipping below the 86 yen line for the first time ever in Japan.

Kono Rules Out Debt Relief

OW0404052395 Tokyo KYODO in English 0323 GMT 4 Apr 95

[FBIS Transcribed Text] Tokyo, April 4 KYODO—Foreign Minister Yohei Kono reiterated Japan's position Tuesday [4 April] that it will not take immediate measures to ease the debt burden on yen loans to China and other countries arising from the stronger yen.

"It is true that China and some other countries are making such requests to Japan (to help alleviate the debt burden)," Kono told a press conference. "But we have been telling them that we cannot easily do that at this point."

"For the time being, we want to watch further developments," he said.

Last month, Chinese foreign trade officials called on the Japanese Government to help ease the debt burden arising from yen-based loans.

Japan has extended three batches of loans to China with a total value of 1.68 trillion yen, and a 580 billion-yen fourth batch, to begin in 1996, was agreed last year.

Indonesian President Suharto also expressed concern late last month that the yen's recent sharp advance is making yen-denominated loans to Indonesia more difficult to repay.

Igarashi Supports BOJ Action

OW0404104595 Tokyo KYODO in English 1029 GMT 4 Apr 95

[FBIS Transcribed Text] Tokyo, April 4 KYODO—The policy announced by the Bank of Japan (BOJ) last Friday

[31 March] of driving down short-term money market rates deserve a fair evaluation, Chief Cabinet Secretary Kozo Igarashi said Tuesday.

"I believe it should be given proper credit," the top government spokesman told reporters, responding to a question on how he views the central bank's decision to guide short-term interest rates lower.

"But it is regrettable that these are not reflected in market movements very easily," Igarashi said, referring to the lack of its effect in holding the yen's sharp appreciation in check.

The BOJ announcement appeared to have backfired with the yen continuing its surge to yet another record high level against the U.S. dollar, because the currency market was awaiting a cut in the official discount rate instead of lower short-term interest rates.

The key interest rate charged by the central bank on loans to commercial institutions now stands at a postwar low of 1.75 percent per annum.

In Tokyo trading Tuesday, the dollar was changing hands at 86.03-05 yen at 5 p.m., down from 86.18-20 yen at noon but up from 85.79-82 yen at 9 a.m. That compared with 5 p.m. Monday quotes of 85.94-86.04 yen in New York and 86.53-55 yen in Tokyo.

Igarashi was noncommittal on the BOJ announcement last Friday on guiding short-term rates lower in lieu of reducing its official discount rate so as to arrest the yen's unabated strength against the dollar.

At Tuesday's informal cabinet talk, some ministers blasted the Bank of Japan for its failure to lower the key lending rate in tandem with the German Bundesbank's surprise reduction of its discount rate by 0.5 percentage point to 4 percent, effective Friday.

Labor Group Urges Action To Halt Yen's Rise

OW0404055595 Tokyo KYODO in English 0348 GMT 4 Apr 95

[FBIS Transcribed Text] Tokyo, April 4 KYODO—Japan's largest labor organization pressed the government of Prime Minister Tomiichi Murayama on Tuesday [4 April] to take bold action to arrest the yen's unabated strengthening against the U.S. dollar.

Leaders of the Japanese Trade Union Confederation (Rengo) made the appeal in a meeting with Murayama and other high-ranking government officials at the premier's official residence.

Jinnosuke Ashida, president of the eight-million-strong Rengo, told reporters later that his group had urged the government to take concerted action with other Group of Seven major economic powers to stabilize the volatile currency markets.

Rengo also called for a reduction in the official discount rate by the Bank of Japan (BOJ) to combat the yen's ascent versus the dollar and other major world's currencies, Ashida said.

The key interest rate charged by the BOJ on loans to commercial institutions now stands at a postwar low of 1.75 percent per annum.

The Rengo chief also said his group demanded further efforts by the government to be more active in deregulating Japan's economy.

Murayama and other government leaders responded that the government has been doing its utmost to counter the effects of the soaring yen, Ashida said.

However, he added that they sidestepped a question on the proposed cut in the official discount rate, saying only that the matter is strictly under the jurisdiction of the BOJ.

High Yen Delays U.S. Jet Noise Compensation

*OW0404095695 Tokyo KYODO in English 0856 GMT
4 Apr 95*

[FBIS Transcribed Text] Tokyo, April 4 KYODO—The sharp rise in the yen's value is hampering the ability of the United States to pay its share of compensation after a year after courts ordered that hundreds of millions of yen be paid to residents near a U.S. air base because of jet noise.

Officials said bilateral negotiations involving the Defense Facilities Administration Agency over the U.S. share of some 886 million yen the Japanese Government has paid to residents to compensate for noise from Yokota Air Base in Tokyo are still bogged down and there is now no likelihood of a quick resolution.

The negotiations began in September last year.

Thanks to the rapid rise in the yen over the past year, the amount the U.S. side has to pay has increased by about 1 million dollars, making a resolution even more difficult, they said.

Following a series of court decisions up to April last year, the state agreed to pay the compensation to the residents.

In February 1993, the Supreme Court dismissed demands by residents near the base to ban night and early morning flights there, but awarded them compensation for noise pollution in the past.

In March last year the Tokyo high court rejected another lawsuit calling for a ban on night flights, but ordered the government to pay compensation to residents. The residents and the government accepted the ruling in April.

But under the Japan-U.S. Status-of-Forces Agreement, the U.S. forces are required to cover 75 percent of compensation payments and the Japanese Government to cover the remaining 25 percent.

If the U.S. were to pay according to the letter of the agreement, it would face a bill of some 664 million yen.

A year ago, this converted to about 6.3 million dollars, but because of the yen's rise it is now more than 7.5 million dollars.

The yen's rise has even prompted the U.S. military forces in Japan to drastically curtail purchases of supplies and to import from places outside Japan like Hawaii.

Agency officials said they appreciate the problems the U.S. side is having making ends meet in Japan, but are still urging it to stick to the agreement.

Central Bank Pushes Key Rates Below Base

*OW0404051995 Tokyo KYODO in English 0337 GMT
4 Apr 95*

[FBIS Transcribed Text] Tokyo, April 4 KYODO—The Bank of Japan (BOJ) sent the key overnight and two-month rates below its own official discount rate Tuesday by generously pumping liquidity into the Tokyo money market.

After announcing Friday that it would lead market rates lower to shore up the flagging economy rather than cut the official discount rate, traditionally the floor of the nation's interest rates, the central bank opened the monetary spigot Tuesday morning, dealers said.

The unsecured overnight call money rate slid 5/32 to 1 23/32 (1.71875) percent, compared with the official discount rate of 1.75 percent a year.

On the open market, three-month certificates of deposit (CDs) were offered at 1.75 percent but did not trade in the morning, while the two-month CD rate fell 0.1 percentage point to 1.65 percent.

It is not clear whether the overnight rate can stay below the base rate for long, "but it's quite possible day-to-day and it will let the market breathe easier," said a dealer at a long-term credit bank.

With the overnight rate climbing to 1.875 percent Monday on heightened fund demand, the central bank "clearly thought that was too high" and loosened up, said a dealer at a big commercial bank.

Despite currency market expectations of a base rate cut last Friday to curb the soaring yen, the BOJ announced it would guide money market rates lower and denied it would change credit policy solely to stabilize currencies.

On Tuesday, the BOJ pumped 800 billion yen into the market through one-week discount bill purchases and lending to banks, more than countering an expected liquidity shortfall of 600 billion yen.

Moreover, banks were 700 billion yen ahead of schedule in building up their required monthly reserves with the central bank.

Minister Kamei Calls for Discount Rate Cut*OW0404030195 Tokyo KYODO in English 0242 GMT
4 Apr 95*

[FBIS Transcribed Text] Tokyo, April 4 KYODO—Transport Minister Shizuka Kamei called Tuesday [4 April] for a cut in the official discount rate by the Bank of Japan (BOJ) to halt the yen's appreciation on the foreign exchange market.

Kamei told reporters after a cabinet meeting that a reduction in the rate would be "the only effective domestic action" that can be taken to deal with the currency turmoil.

He said the central bank's monetary policy "is not always right," and urged the finance minister to encourage the bank to revise it.

Kamei also said public funds should be used to bolster the faltering stock market.

Ministry Official Rebuts UN Commander's View*OW3103165495 Tokyo ASAHI SHIMBUN in Japanese
26 Mar 95 Morning Edition p 3*

[FBIS Translated Text] Commander-in-Chief Kostov [name as published] of the UN Disengagement Observer Force (UNDOF) assigned to the Golan Heights has stated that "Japan's participation in the UNDOF cannot be approved." In connection with his remarks, a senior official of the Ministry of Foreign Affairs voiced puzzlement and said: "It is probably his personal view. However, he must have some misunderstanding." In particular, concerning the report that Kostov has clearly stated that "it is not the United Nations that has asked Japan to dispatch a mission," the same official refuted that "he must have mistaken the facts."

It is true that attaching great importance to achieving good results in cooperation in UN peacekeeping (PKO) activities, the Foreign Ministry has been seeking new places for dispatch following withdrawal from participation in the UN's Mozambique activities (OUNMOZ). However, the Foreign Ministry has explained that with regard to UNDOF participation, it is the United Nations that has asked Japan to send a mission because Canada, which has been responsible for transport work, has asked for other units to take over its mission.

Moreover, concerning Kostov's concerns over the language ability of Self Defense Forces (SDF) personnel, the same senior official stated following view: "Since SDF units do not have much experience in overseas activities, they may not have sufficient language ability. However, there are similar cases involving other countries. This is not the main issue concerning the nature of PKO activities."

A government and ruling parties survey team will visit the Golan Heights in mid-April. And the Foreign Ministry has indicated its displeasure, maintaining that

"since the survey team will visit there soon, it is not desirable to unilaterally decide either this is right or that is wrong."

Consortium Wins Contract for PRC Power Plants*OW0204121095 Tokyo NIHON KEIZAI SHIMBUN in
Japanese 28 Mar 95 Morning Edition p 13*

[FBIS Translated Text] A consortium formed by Mitsui and Company, Ltd., Toshiba Corporation, and Ishikawajima-Harima Heavy Industries Company, Ltd. has succeeded in winning contracts for a major thermal power plant project in China.

Including potential orders to be received shortly, the consortium will supply equipment for three 600,000 kilowatt-class coal thermoelectric power plants to the Beilungang Thermoelectric Power Station in Zhejiang Province. The orders are expected to cost around \$500 million. After the installation of the three power plants is completed by 2001, the Beilungang Power Station will be the largest in the PRC.

China has a chronic shortage of electricity due to its rapid economic growth and population increase. Japanese, American, and European manufacturers and trading firms are engaged in an intense competition to win contracts.

According to information from Zhejiang, the consortium led by Mitsui received provisional orders for equipment for two 600,000-kilowatt-class coal thermoelectric power plants from the PRC trading firm the China National Technical Import and Export Corporation (CNTIC) on 27 March. The official contracts are expected to be signed within a month. Furthermore, the consortium is certain of receiving an additional order for equipment for a power plant of the same size. Mitsui will be responsible for equipment installation and take overall responsibility for the project, Toshiba will supply the turbine generators, while Ishikawajima-Harima will supply the boilers.

The bidding for this project was held last autumn as an international bidding with World Bank financing, and the U.S. company General Electric and the German firm Siemens also participated in the bid.

The Beilungang Thermoelectric Power Station is located around 150 kilometers south of Shanghai, facing the Hangzhou Bay. It is one of the major power stations in China. It already uses two 600,000-kilowatt power plants. The three new power plants will start operation one after the other within two years from September 1999. The overall power output when all five power plants become operational will be 3 million kilowatts.

Mitsui succeeded in supplying two 350,000-kilowatt power plants in Shajiao, Guangdong Province, in the past. Together with Toshiba, it also supplied one 600,000-kilowatt turbine generator to the Beilungang

Power Station. However, the present project will be the first time for Mitsui to receive orders on such a major scale.

Due to the rapid economic growth and population increase, China is said to be 20 percent short in its electricity needs at present. To meet this need, the PRC has to build new power generation facilities at the rate of 12 to 15 million kilowatts annually. Japanese, American, and European companies are engaged in fierce competition to win contracts arising from the Chinese Government's program to build power generation capacity.

Due to the desire to make use of its coal resources, and an oil shortage, around 70 percent of Chinese thermoelectric power plants use coal for fuel.

Partial Rice Market To Open to Imports 1 Apr

*OW3103094495 Tokyo KYODO in English 0932 GMT
31 Mar 95*

[FBIS Transcribed Text] Tokyo, March 31 KYODO—Japanese agriculture will face international competition when the nation partially opens its rice markets to imports on Saturday [1 April] under Uruguay Round agreements for liberalizing global trade, officials said Friday.

So far the government has not allowed rice imports, except in emergency to deal with poor rice crops.

Import regulations under the new Food Control Law will also be implemented from Saturday, the officials said.

Under the agreements, Japan is to start the rice market opening program with initial-year imports of 379,000 tons in fiscal 1995, or 4 percent of current domestic rice consumption, and increase the annual imports to 758,000 tons, or 8 percent of domestic consumption, in fiscal 2000.

All the rice will be imported under a government trade program.

A simultaneous buy-and-sell tender system, with importers and domestic wholesalers taking part, will apply to 5,000 tons of the initial-year imports.

On the basis of prices set through the tender, the rest will be imported through a government-sponsored system of monthly designated bidding.

U.S. rice will account for the largest share of imports, followed by Australian rice, the officials said.

Import System Distorted

*OW0104031495 Tokyo KYODO in English 0238 GMT
1 Apr 95*

[By Mutsuo Fukushima]

[FBIS Transcribed Text] Tokyo, April 1 KYODO—Japan's new rice import system adheres to the letter of the nation's commitment to allow foreigners "minimum

access" to this country's rice market but distorts the spirit of the agreement by keeping prices artificially high, experts say.

"The average wholesale price of imported rice, at which the food agency will sell to wholesalers under the new import mechanism, will be boosted to levels three to four times the import prices," said Yujiro Hayami, an Aoyama Gakuin University professor and an expert on international economics.

"The new system is a state-managed trading system" which allows the agency to buy up all the imported rice and then sell it to wholesalers, Hayami told KYODO NEWS SERVICE.

The system was devised to allow the agency to rake in profits stemming from the gaps between the import prices and the price at which the agency will sell the imported rice to wholesalers, Hayami said.

Under the 1993 "minimum access" deal, Japan vowed to give foreign rice a 4 percent share of its market starting in fiscal 1995 that began Saturday.

The agency estimates the scale of domestic rice consumption at 9.7-9.8 million tons in the current rice harvest year ending Oct. 31, 1995.

The deal was initially lauded as a great accomplishment of the administration of then Prime Minister Morihiro Hosokawa as it promised to remove a major irritant in Japan's trade ties with its trading allies, especially the United States.

However, euphoria has waned as the details of the new import mechanism and a set of strict conditions the agency imposed for any would-be applicants for a import license became public knowledge.

Under the deal, Japan is obliged to import 379,000 tons of foreign rice in fiscal 1995 and then gradually raise imports until the Uruguay round vow of an 8 percent share by the year 2000 is met.

The new two-tier import system embodies a simultaneous buy-sell (SBS) formula for a tiny 5,000-ton portion and the general import formula (GIF) for the remaining 374,000 tons.

Under the SBS, the agency will require competing groups of "qualified" importers and wholesalers to submit two bids simultaneously—one for the price at which the agency may buy from the importer and the other for the price at which the wholesaler would buy from the agency.

The agency says it will give the contract to the group offering the largest profit margin by maximizing the gap between the two bids.

Under the GIF part of the new system, the major 374,000-ton portion will be imported by large importers who meet such agency conditions as having "imported

or exported (including through third-country trade) at least 10,000 tons of rice a year on average over the most previous three years."

Importers are obligated to sell all the imports to the agency, which will in turn sell them to wholesalers at a large profit margin at a later date of the agency's own choice.

The Ministry of Agriculture, Forestry and Fisheries said in a press release in March that the new import system will allow the food agency to add a margin of up to 292 yen per kilogram of imported rice in setting the price at which the agency will sell to wholesalers.

The document also says the agency will use the profits accruing from the gap between the buying and selling prices to finance the expenditures needed to stockpile rice.

Under the GIF, the agency says, it will set monthly the quantity of imports from each producer nation and select a country from which Japan will import rice.

Then it will accept bids from a group of 25 "qualified" trading houses for the particular brand of rice it designates for each bidding and will award the contract to the trader that submits the lowest bid.

Toshiharu Nishiguchi, executive vice president of Rice Databank Co., a private institute researching the rice industry, said the agency may abuse its power to add the 292-yen-per-kg margin to discourage both consumers and wholesalers from buying even the high-quality California rice suitable for sushi dishes.

"An importing trading house is expected to sell (middle-grade) California rice to the agency at 40 to 50 yen per kg and the agency can boost this to, say, 340 yen," Nishiguchi said.

"Before consumers can buy California rice, mid-layer wholesalers and retailers are expected to tack another 100 yen onto the product, pricing it at 440 yen per kg," he said.

This price would be at the same level as such Japanese brand name rices as Hitomebore, Akitakomachi and Koshihiraki, he said.

The price of 440 yen would be more than four times the current price at U.S. supermarkets of some 107 yen for "Kokuho Rose" sold by California-based Nomura and Co.—one of the highest-quality brands of rice in the U.S.

"In short, putting the 292-yen markup on the 50-yen-per-kg California rice would amount to imposing a 600 percent tariff," he said.

Hideaki Omura, an official of the agency's Policy Division, defended the import pricing mechanism.

"The agency is not planning to impose an across-the-board 292-yen markup on all types of foreign rice," he said.

"The agency will not deliberately put such high prices on imported rice as to undermine their sales in Japan," he said, adding it plans to adjust the size of the markup for each brand so that imported rices may be "priced at levels at which Japanese consumers would want to buy them."

However, he said the agency "does not believe it would be wise for it to price imported rice at excessively cheap levels so as to influence the prices of domestically grown rice."

He cautioned, however, that a sizable portion of the imported rice may remain unsold as a result of a bumper domestic crop and supply glut in Japan.

Masayoshi Honma, a professor of the Department of Economics of Otaru University of Commerce and an expert on the rice import issue, said, however, such disadvantageous pricing may still take place.

"The new import system allowing the agency to drive up rice prices before funneling imported rice into the domestic distribution system, is designed to prevent the passing of the benefits of lower prices on to consumers," he said.

Japan should adopt a tariffication scheme rather than impose the cap on the quantity of foreign rice import, he said.

Even if Japan imposed a 700 percent tariff on foreign rice, import prices would quickly go down "by almost the same margin as the margin by which the yen will appreciate" against the dollar, he said.

"At least part of the benefits of lower import prices resulting from the soaring yen should be transferred to Japanese consumers, even though the agency has to consider the interests of Japanese farmers," he said.

The current overall quota of 379,000 tons will continue to nullify the benefits for consumers of the rising yen, he said.

Five New Importers Registered

OW3003133395 Tokyo KYODO in English 1228 GMT 30 Mar 95

[FBIS Transcribed Text] Tokyo, March 30 KYODO—The Food Agency said Thursday [30 March] it will allow another five companies, including a U.S. agricultural giant, to import rice into Japan.

The agency announced the list as a result of its screening of companies that had applied for registration as rice importers under Japan's partial opening of its rice market based on new global trade rules, starting in April.

Rice imports, such as emergency ones, have so far been limited to 20 registered Japanese companies.

The newly registered firms, which will be allowed to import rice under a competitive bidding system, include

Cargill Japan Ltd., the Japanese subsidiary of Minnesota-based Cargill Inc. The four others are Japanese companies including Kasho Co.

A rice wholesaler said the agency has picked applicants of special interests such as the U.S. firm and those affiliated with agricultural cooperatives.

For a separate bidding system that will cover a small portion of rice imports, 34 companies, including an Australian concern, have been registered, the agency said.

Farm Subsidies To Exceed Y100 Billion

OW3003063395 Tokyo KYODO in English 0621 GMT 30 Mar 95

[FBIS Transcribed Text] Tokyo, March 30 KYODO—Japan's dairy and livestock subsidies will climb 19.1 billion yen [Y] in the coming fiscal year to 101.9 billion yen under a plan approved Thursday [30 March] by the Farm Ministry.

The plan for the fiscal year starting Saturday includes milk and livestock product price supports and subsidies to expand beef cattle ranching and streamline dairy production.

It follows Wednesday's decision by the Ministry of Agriculture, Forestry and Fisheries to maintain at the previous year's levels the minimum producers' milk prices and subsidies, despite pressure from global trade accords to bring domestic and international farm product prices into line.

The fiscal 1995 farm package includes about 30.6 billion yen in dairy-related spending and about 77.5 billion yen for livestock. Those components exceed the total because of overlaps in some categories.

The dairy spending includes some 11.7 billion yen for management stabilization, including a 2 yen per kilogram subsidy labeled as promoting industry rationalization.

The plan would spend 5.5 billion yen for a 1 yen per kg payment to promote domestic cream and lowfat milk production.

For livestock, the plans calls for spending some 43.6 billion yen.

Series Focuses on Special Public Corporations

'Pyramid' of Affiliations Noted

952A0395A Tokyo ASAHI SHIMBUN in Japanese 4 Feb 95 p 11

[Article by reporters Katsuhiko Tagaya, Jun Nakamura; first in a series of articles on special public corporations: "Businesses Are Basically Monopolies; Key Positions Held by Former Special Corporation Employees; Strong

Ties Established Through Use of Funds Controlled Within Public Corporation Family of Companies and Organizations"]

[FBIS Translated Text] "In any event, apprise us of the damage situation."

The foregoing is a quote from a telephone call placed by the Hanshin Expressway Public Corporation to the on-site office of Subaru Industries on a man-made island in Higashi Nada ward, Kobe city. Two civil engineering technicians who were on duty jumped into a patrol car and proceeded to navigate over road surfaces that had liquefied and turned into quagmires.

Over 600 meters of the Kobe section of the Osaka-Kobe Expressway located in Higashi Nada had toppled from the very foundations of the expressway support pillars. The two technicians relayed the catastrophic conditions via wireless radio and directed normal traffic away from National Highway 43, which runs parallel with the expressway, by positioning plastic traffic cones in strategic positions.

Traveling Quake Disaster Zone

Subaru Industries is the contractor specializing in the inspection and repair of the Kobe section of the expressway. It assigns personnel to the same on-site stations as the Hyogo prefectural police on a 24-hour basis and is always prepared to respond to emergencies such as traffic accidents.

Early on the morning of 18 January, one day after the earthquake, inspections of the expressway support pillars were started by personnel of the Hanshin Expressway Public Corporation, the corporation-affiliated Hanshin Expressway Management Technical Center, and the more than 10 firms specializing in the inspection and repair of expressways.

The quickly organized survey team of 400 members divided the task of inspecting roughly 7,500 pillars among team members. By the evening of 18 January, a report consisting of drawings and written comments on each pillar was submitted to the corporation.

Each of the contractors quickly responded by initiating repair work in response to rapidly issued instructions from the corporation. One officer of an inspection and repair company commented, "Only the corporation knows where and what each of our employees is doing." Some company employees worked through the night to prepare drawings designating non-expressway highways as arteries for movement of emergency supplies. And it was not unusual to see meetings being started at midnight.

Two weeks after the earthquake, "Most of the company employees have not gone home at all. We can't object to what the corporation tells us to do. The corporation provides our livelihood." These are the innermost sentiments of the contractor employees.

Difficulties Faced by New Industry Participants

The Hanshin Expressway Public Corporation was able to effectively enforce its mobilization powers immediately after the great earthquake, because it exercises strong control over its contractors, who enjoy a monopolistic status, through men, materiel, and money. On the other hand, such ties have given birth to the following inefficiencies and dubious practices.

The corporation's maintenance and repair budget for this fiscal year exceeds 30 billion yen. Each section of the expressway is assigned to a designated contractor, making it difficult for participation by new firms and eliminating the element of competition.

There are approximately 20 firms which contract for functions such as inspection and repair, collection of toll charges, patrols, and cleaning services. Playing a core role in the performance of such functions is the foundation which comes under the direct control of the corporation.

The three public corporations handling highways, the Japan Highway Public Corporation, Metropolitan Expressway Public Corporation, and the Hanshin Expressway Public Corporation, are restricted in terms of investments in other firms. Thus, they first establish foundations under their control. Such foundations furnish capital to form subsidiaries and allow them to win contracts under a basically monopolistic arrangement. Retiring public corporation employees are placed in jobs with such subsidiaries.

Operational Information Kept Confidential

In the case of the Hanshin Expressway Public Corporation, the core activities include the foundations which handle the wholesaling of coupon tickets and the operation of parking lots under elevated expressways. There are two such foundations in Osaka and Kobe. Hanshin Expressway Association, which handles the Osaka area, has about 40 employees and commands revenues of about 2.5 billion yen.

In 1990, the public corporation separated the function of negotiating the purchase of rights of way from these two foundations and established the Hanshin Expressway Compensation Center. Of the seven officers serving with the center, the chairman and five officers are former employees of the public corporation.

Further, the foundations, including the earlier mentioned technical center, have invested in affiliated companies.

In the area of Tokyo metropolitan expressways, Metropolitan Expressway Association plays a core role. It has invested in seven of the 17 companies involved in operating toll gates and in all three firms operating patrols. The association earns 250-300 million yen by merely passing coupon tickets from the public corporation to the agencies retailing the tickets.

The Japan Highway Public Corporation, which controls a 5,600-kilometer highway network, controls the Highway Facilities Association which manages expressway service areas and which in turn invests in 68 firms engaged in 10 different services. The "family of companies" has grown into a huge pyramid. Former employees of the public corporation serve as presidents of more than 60 of 81 companies engaged in the maintenance and repair of highways, including companies in which the public corporation has made no investments.

Information on the operations of such foundations and subsidiaries are, according to the three public corporations, "reported to the Ministry of Construction," but are not publicly disclosed. Fees paid by expressway users are enshrouded in secrecy and are circulated within the family of companies.

NHK Subsidiaries Profiled

952A0395B Tokyo ASAHI SHIMBUN in Japanese 5 Feb 95 p 7

[Article by reporters Hiroyuki Yanaginuma, Takaaki Tsuji, second in a series of articles on special public corporations: "Subsidiaries That Are Supposed To Be Independently Viable Doing Poorly; Suffering From Past Miscalculations and Dependent on 'Parent NHK'"]

[FBIS Translated Text] NHK Enterprise (NEP), which produced reissues of the period adventure drama *Hana no Ran* and the puppet play *Hyokkori Hyotan Island*, will merge with another firm in April. It will be merging into NHK Creative (NCT) which produces a major project called *NHK Special*. Both firms are funded by and are core subsidiaries of the Japan Broadcasting Corporation (NHK).

Failed in Movie-Making Investments

Former NHK Chairman Keiji Shima takes a dim view of the merger.

"When I was the chairman, we made an attempt to reform our attitude that the good old government would foot the bill and established subsidiaries with a view to record sales and profits as independent businesses. However, those endeavors have not paid off. I imagine they plan on going through with the mergers and overcoming their operating difficulties by increasing work distributed under consignment from NHK."

NEP operations definitely face difficulties. Sales which had hit 26.4 billion yen in fiscal year 1991 had fallen to 20.9 billion yen in fiscal year 1993. Losses in fiscal year 1991 reached 140 million yen.

NEP was adversely affected by investments in U.S. films. NEP had invested in the production of the science fiction film *Crisis 2050* and *Indian Runner*, which portrayed a veteran of the Vietnam war, as well as in selling

rights to eight films, including the Beatles' documentary *Get Back*, but poor ticket sales forced NEP to withdraw from the investments.

Construction work at the "Huis Ten Bosch" Resort recreational facility in Sasebo city, Nagasaki Prefecture, which was a major independent project, has peaked and revenue has declined. It includes synthesized action features such as the 11 billion yen "Horizon Adventure" which gives the audience the illusion of being thrown into a huge deluge through the use of sounds and images.

Affiliates Total 30

There was a time when NEP aggressively pursued the production of public relations videos for local governments and corporations as well as cultural events and was criticized by private-sector broadcasting stations as taking a "commercialization stance." It even went so far as to participate in the operation of the "Esashi Fujiwara no Go" historical park built by Esashi city, Iwate Prefecture, which served as the film-making site for the period adventure drama *Honoho Tatsu*. Even projects of this nature have been affected by the recession.

NEP has had no choice but to depend on NHK projects to the degree that independent projects have declined. NHK projects represented 40 percent of sales in fiscal year 1988, but they currently represent 60 percent. Once NEP merges with NCT, the percentage will rise to 70 percent, increasing the dependence of the subsidiary on the parent NHK.

"Shima's commercialization policy was completely in error. However, all firms in the industry currently face difficulties. In our case, we are still profitable. The ultimate goal of the merger is to reinforce our production capabilities." NEP President Toshio Endo uses these words in stressing his thoughts.

Affiliated companies and organizations of NHK total 30. One NHK official states, "We were premature in our quest to create affiliated companies. We are taking a cue from the friction we caused with private-sector broadcasters in reducing the scope of and consolidating affiliates, and this merger does not represent the last of the mergers."

Affiliated companies were established in rapid succession when a revision of the Broadcasting Law in 1982 allowed such investments. NHK as a special corporation is restricted by the Broadcasting Law from engaging in operations for the purpose of profit-making, but such operations are permissible on the part of affiliated companies. NEP was established in 1985. By 1991, more than 10 companies specializing in program production, with some operating regionally, and doubling in numbers in comparison to the period before revision of the law.

Twenty-eight companies and organizations, exclusive of two welfare organizations, achieved gross revenues of 204.9 billion yen (in fiscal year 1993), equalling that of

one key private-sector broadcaster located in Tokyo and employing a total of about 4,400 personnel. NHK has undertaken a "management efficiency" effort since 1980 and has reduced its employee strength from 17,000 to just over 13,000. Many of the released personnel were hired by subsidiaries.

If we look at NEP as an example, we find that 194 officers and company employee positions are occupied by 157 former NHK personnel. Of the officer ranks, only one came from a bank and the others are all former NHK personnel. You could call NEP a division of NHK.

Operational Curtailments Required in Parent NHK

In its mid- and long-term operating plan published on 25 January, NHK stated, "We will adhere to the subscriber fee system" and sought "moderation" in the activities of its affiliates so as to avoid competition with private broadcasters. The question, then, arises whether subsidiaries facing operational difficulties can make a profit while adhering to a policy of "moderation of commercial activities"?

If the subsidiaries are unable to boost revenues, NHK will have to raise consignment fees to take care of subsidiaries, which means that subscriber fees will eventually be impacted.

If NHK is to reject commercialization and insist on adhering to the subscriber fee system, it must return to its mission as a "public broadcaster" and curtail operations not only in its affiliated companies but in the parent NHK operations themselves.

Local Government Involvement Viewed

952A0395C Tokyo ASAHI SHIMBUN in Japanese 7
Feb 95 p 11

[Article by ASAHI SHIMBUN reporters Yoshiki Kishi, Kazuyuki Shiraishi; third in a series of articles on special public corporations: "Foundations Established in Rapid Succession With Involvement of Local Governments; Inflated Costs Spell Continuing 'Losses'"]

[FBIS Translated Text] When the clock moves past 1700 and the lights begin to turn on, people returning home from work begin to assemble. They visit "Maebashi Terusa" soaring into the sky in the heart of Maebashi city to work up a sweat in the fitness gym on the seventh floor or swim in the pool on the sixth floor.

The formal designation of Maebashi Terusa is "Maebashi Workers' Integrated Welfare Center." It was built in 1992 by the Ministry of Labor-controlled Employment Promotion Projects Corporation. However, the name "Employment Promotion Projects Corporation" is nowhere to be seen in the 12-story, red-brick building which includes an auditorium, conference rooms, banquet rooms, hotel, and restaurant.

Utilization Rate Falls Below 50 Percent

Construction costs totalled 5 billion yen. Sixty percent of the cost was absorbed by the corporation and the balance by Gunma Prefecture and Maebashi city. Management of the facility is consigned to a foundation jointly funded by the prefecture and the city. The corporation states, "If we capitalize on regional circumstances and private-sector sensitivities, we can bring efficiency to the management of the facility," but three of the full-time managing directors of the foundation include two former department heads of the city government and a former head of the Gunma Employment Promotion Projects Center, a branch of the corporation. This means strong influence is exercised over the facility by the city and the corporation.

It appears that no progress is being made in bringing efficiency to the management of the facility.

Both the auditorium and the hotel are doing poorly and fees are set at a low level because the purpose of the facility is to provide for the "welfare of workers," thus causing continuing losses. The city is offsetting losses with funds from its general accounts budget and subsidies this fiscal year will be about 250 million yen.

The 1983 Ad Hoc Council for the Promotion of Administrative Reform report stated that special corporations "as a general rule have suspended" the construction of hostels to avoid competing with the private sector. Maebashi Terusa was built for the purpose of "accommodating people attending seminars," thus restricting the ability to advertise as a hotel and causing the utilization rate to fall below 50 percent.

Dual-Structured Windows

The Employment Promotion Projects Corporation controls about 2,000 facilities throughout the nation ranging from small gymnasiums to large-scale lodging facilities. The majority of these facilities are consigned to prefectural governments. The reason is that personnel ceilings imposed on the corporation do not allow for direct management. Prefectural governments, as a general rule, reassign management to jointly funded foundations.

In 1989, the corporation took the lead in establishing the Workers' Welfare Facilities Association to assume responsibility for supervising such regional foundations. The chairman and managing directors of the association are former employees of the Ministry of Labor. About the same time, "management councils" were established under the association at the prefectural level.

The corporation disburses management guidance consignment fees to support activities of the facilities association and councils, totalling 557 million yen in fiscal year 1993. The majority of such funding was used to pay salaries of personnel employed by the facilities association and the management councils. Instead of bringing efficiency to the organizations, the system appears to have brought complications and inefficiencies.

Creating a self-multiplying effect by establishing organizations at the central and regional levels is a process that is not peculiar to the Employment Promotion Projects Corporation.

Managing Director Yoshihiro Kawasaki of the Fukuoka Prefectural Pension Housing Welfare Association (of Fukuoka city) remarked in a self-deprecating manner, "Last spring, the Board of Audit visited us on an audit and was amazed at the smallness of our organization."

The association was established as a foundation in 1978 to provide windows for handling loans issued by the Ministry of Health and Welfare-controlled Pension Welfare Service Public Corporation.

Windows for such loans are provided by another organization in Fukuoka city. The name is similar, but it is the Fukuoka branch of the Pension Housing Welfare Association with headquarters in Tokyo. The Fukuoka branch handles three times the loans handled by the Pension Welfare Service Public Corporation in the same city.

The Pension Housing Welfare Association has had branches in six cities including Fukuoka city for some time. Establishing additional new windows at the prefectural level has led to duplication.

Establishment of 53 corporations to provide windows in regional areas has led to the creation of a nationwide organization known as the Nationwide Pension Housing Loan Corporation Society under the leadership of the corporation. The managing directors are former employees of the Social Insurance Agency. Former employees of the Ministry of Health and Welfare also serve as chairman and managing directors of the Pension Housing Welfare Association, providing for two sources of post-retirement employment for former employees of that ministry.

Advantage of Central Government Funding

On the other hand, corporations involved in the operation of windows in the regional areas temporarily pool funds accumulated from loan repayments for investment purposes, but are facing difficult times because of reduced investment profits owing to the low interest rates in recent years.

The Gunma Prefectural Pension Welfare Association will record losses (15 million yen) for two years in a row. If losses continue, (Administrative Bureau Chief Takanori Sudo) states, "There is the possibility that we may have to raise fees charged on housing loans."

Although we speak of windows, they merely serve to pass loan applications received from banks to the corporation. Basically, what is considered to be a nonessential organization is merely serving to inflate costs.

Local governments enjoy an advantage in operating joint ventures with special corporations because such arrangements provide for central government funding. The

ability to place former government employees in the management organizations is also appealing. One official at the Maebashi City Chamber of Commerce and Industry said, "Terusa is a source of high-level employment for people with department head experience."

Corporations Offer Retirement Homes

952A0395D Tokyo ASAHI SHIMBUN in Japanese 8
Feb 95 p 11

[Article by reporter Noboru Watanabe; fourth in a series of articles on special public corporations: "Senior Citizen Homes and Money Management—Enter Markets of Future Cautiously"]

[FBIS Translated Text] "We moved into this place because we have no children and we wanted to live in a home which would provide for all of our needs. It is cheaper than a privately operated facility and we need not worry about the facility going bankrupt."

Naoharu Uno (74), a former director of a marine transportation company, and his wife sold their condominium in Tokyo and moved to Urayasu city in Chiba prefecture. Their new home is located in the 10-story "Casa de Campo Urayasu" which overlooks Tokyo bay.

Lifetime Nursing Feature Popular

The facility is the first of the "lifetime senior citizen homes with nursing services for a fee" built in July 1991 by the Postal Life Insurance Welfare Corporation with funding based on premiums collected under postal life insurance plans offered by post offices. The facility cost approximately 7 billion yen including expenses involved for acquisition of the land.

Other homes operated by the corporation require residents to move out when nursing care becomes necessary. In June 1990, the welfare corporation law was revised so that the corporation could invest in companies, which provide nursing care, to manage homes on consignment. "Urayasu Campo Life Service," the home management firm, was jointly funded by the corporation and a U.S.-based nursing company and its president is a former employee of the Ministry of Posts and Telecommunications.

The facility's popularity is excellent and initial applications came in at an average rate of 3.5 applications for each unit available. The 162 units are all occupied; the 202 residents range in age from 59 to 95.

The lump-sum move-in fee was 34.04 million yen (currently 36.5 million yen) for 54 square meters in the case of the Uno couple. A similar unit operated privately in Tokyo would normally cost hundreds of million yen. Such housing, being "the final and largest purchase in a lifetime," in this particular case represents an appealing package because of the reasonable pricing and a facility backed by the central government.

Sources at the Ministry of Posts and Telecommunications say, "Of special importance in an aging society are senior-citizen homes in metropolitan areas. We intend to accumulate know-how in nursing and build our second facility in Osaka several years from now."

Assist in Funds Management Plans

On the other hand, Managing Director Hideya Sekiguchi of the Nationwide for Fee Senior Citizen Home Association which has a membership of 132 private-sector facilities makes no attempt to conceal his displeasure at industry participation by the government, when he comments, "The industry definitely caused some problems when some private-sector facilities went bankrupt after the bursting of the bubble. We would like for the government to provide land along with low-interest loans so that we can compete under conditions similar to those of government-run facilities."

Nursing fees of lifetime homes which take care of residents until time of death charge fees determined on the basis of the physical status of the individual concerned. If homes run by the corporation encounter a money-losing situation, the losses will be covered by the premiums collected by the postal life insurance system. Success or failure of the system will be known at some distant future date.

Eighteen months have passed since the Pensioners' Recreation Association, which rents space on the third floor of an office building in Tokyo, hurriedly rented an additional room on the seventh floor. The association is a foundation operating under the control of the Pension Welfare Service Public Corporation, which manages public pension funds, with the principal mission of managing four of the 13 nationwide recreation facilities operated by the public corporation and known as "Greenpia," but required the additional space because of the assignment of totally unrelated work.

The association established a Pension Funds Management Research Center to compile domestic and international data on interest rates and stock-price movements and assist the public corporation in developing funds management plans. The personnel for the center will consist of 23 individuals coming from private-sector financial institutions and research agencies, most of whom will be assigned to the center on a loan basis.

A public corporation official states, "We would like to acquire independent know-how concerning long-term investments." The public corporation had decided to retain the function within an affiliated organization because it had the potential for future growth, but it decided to assign it to an existing organization without establishing a new office to escape publicity in that the public is critical about the inflated growth of government organizations.

Resistance to Privatization

Teito Rapid Transit Authority (subway corporation) will build a public golf driving range at an employees' recreation ground located in Koto ward of Tokyo in the spring

of this year. The construction costs will total 1 billion yen. The transit authority is building a three-story structure with 90 parking positions and a parking garage for 110 cars. It expects revenues of 300 to 400 million yen a year.

When the First Ad Hoc Council for the Promotion of Administrative Reform recommended the privatization of the transit authority, it resisted saying, "Until the first part of the 21st century, new construction work in connection with the completion of the subway network will require public funding." On the other hand, it has dedicated itself to expanding related businesses in anticipation of eventual privatization.

Last spring, it invested close to 10 billion yen on the construction of a station building called "Metro M" as part of the modernization of the Korakuen station. The golf driving range and this building are key revenue-producing projects. Plans are to establish a corporation under the control of the transit authority to manage the facilities.

The special corporation reorganization plan to be published by the government on 10 February appears to be restricted to the consolidation of several special corporations. Special corporations themselves seem unconcerned about such actions limited to numbers and are steadily expanding their involvement in projects with future prospects by making use of corporations and foundations made a part of their respective family of companies and organizations.

Ministry Asks Panel To Discuss NTT Division

OW0204122095 Tokyo NIHON KEIZAI SHIMBUN in Japanese 21 Mar 94 Morning Edition p 1

[FBIS Translated Text] It was disclosed on 21 March that the Ministry of Posts and Telecommunications [MPT] plans to ask the Telecommunications Council (chaired by Sho Nasu) to review the operations of Nippon Telegraph and Telephone Corporation (NTT) at a session of the council scheduled in April. In its request for recommendations, the MPT questions the NTT's overwhelming share of Japan's telecommunications market, and says: "Fair and effective competition should be promoted in the market to stimulate the industry." Thus, the ministry indirectly hints that the council will focus on NTT's partitioning. In response to the request, the Telecommunications Council will work out its recommendations within a year.

MPT Minister Shun Oide will seek advice from council chairman Nasu in the draft request entitled "Study of the NTT's Operations—Toward Bringing About Dynamism in the Telecommunications Industry". Senior officials of MPT say, "We would like to ask for recommendations as soon as possible," and they plan to seek advice at the council's general meeting set for 6 April.

In the draft request, the MPT does not directly demand the NTT's partition. Western nations have been promoting competition in the telecommunications market

by dissolving monopolistic operations through allowing new market participation and systematic cooperation between telecommunications firms across national borders. However, in Japan, NTT's virtual monopoly in regional networks obstructs a smooth introduction of new services by new telecommunications firms for long-distance services. The MPT notes the needs to review the NTT's operations, including its partition.

The Telecommunications Council session will focus on whether the NTT should be divided into separate companies for local and long-distance services, and whether regional service should be further subdivided. There have been plans voiced within the MPT saying the NTT should be divided into a long-distance service firm and several regional service companies, and then approval for providing international services should be given to the firm for long-distance services.

Although the NTT was privatized and telecommunications services were liberalized for new participation 10 years ago, NTT still holds 99.9 percent of Japan's phone subscribers. Difficulty in introducing new services and lowering charges, in comparison to the United States, has been strongly criticized.

Agencies Agree To Survey Insurance Dealings

OW3003041495 Tokyo NIHON KEIZAI SHIMBUN in Japanese 24 Mar 95 Morning Edition p 7

[FBIS Translated Text] The Marine and Fire Insurance Association of Japan [MFIAJ] (chaired by Shunji Kono) and the Foreign Non-Life Insurance Association (chaired by Ian Carol) [FNIA] on 23 March agreed that two survey agencies—one named by each organization—should jointly conduct a survey to look into the conditions of business dealings among companies in the same business groups [keiretsu]. The two organizations discussed how to conduct a survey of business operations of keiretsu companies in the Japanese insurance market since the end of 1994, based on an agreement in the Japanese-U.S. economic framework talks on the insurance sector. Despite an agreed-on deadline of mid-December 1994 for deciding on an agency to conduct the survey, the two parties' discussions had been deadlocked because they had difficulty deciding what to target in the survey.

The method the two survey agencies will use in conducting this survey will be similar to the one used in the survey of imported automobile dealerships conducted under the Market-Oriented Sector Selective (MOSS) talks. The two associations came closer to a compromise only after Hiroyoshi Tokuda, chairman of the Insurance Council, presented his personal plan in the middle of January.

Now that an agreement has been reached, two agencies will be named to conduct the survey. The Japanese party is expected to name Nomura Research Institute as its choice and the foreign group will pick one from several

foreign survey companies whose names have been mentioned, including a UK research organization. An agreement at the Japanese-U.S. economic framework talks was that the survey should be completed by April. But now that the beginning of the survey has been delayed by about three months, it is probable that the deadline for completing the survey will be delayed by an equal amount.

The two groups had confronted each other on the matter of conducting a survey of business practices among keiretsu companies, with the FNIA insisting that "the survey should focus only on former Zaibatsus [pre-war business conglomerates] such as Mitsubishi and Sumitomo groups" and with the NFIAJ insisting that "the survey should be extensive and cover all the listed firms that have strong business ties with one another." However, it has been finally decided that the two survey agencies should consult with each other in deciding which business groups should be surveyed.

Japan and the United States had initially agreed that the survey should cover the entire insurance market. But the survey of the life insurance sector has been scrapped since both the Japanese and foreign life insurance industries agreed that a survey of that sector would be "unnecessary."

* Future of Life, Non-Life Insurance Analyzed

952A0389A Tokyo EKONOMISUTO in Japanese 25
Jan 95 pp 30-31

[Unattributed article: "Life Insurers vs. Casualty Insurers: Wish To Expand Like Life Insurers; Reciprocal Entry Means Unilateral Entry of Casualty Insurers"]

[FBIS Translated Text] With the revision of the insurance business law expected in 1996, the reciprocal entry of life insurance and casualty insurance firms [into each others' fields] will become possible, but the ones that are burning with eagerness are said to be the casualty insurers.

While the debate on revising the industry's law was flourishing, life insurers were championing comprehensive financial institutions that included casualty insurance and securities. However, with the collapse of the bubble, the life insurers' yield on assets has seen a situation continuing in which "reverse margins" fall short of the projected interest rate (minimum guaranteed return); therefore, the management environment is harsh. Saying that "if (the casualty insurers) aren't spoiling for a fight, we don't want one" (a leader in a major life insurance firm); their true intent at the present time is to put off setting up casualty insurance subsidiaries and to try to shore up the footing of their main business.

That certainly does not mean the casualty insurers have power in reserve. Still, with mainly one-year contracts, for casualty insurers fated to have their single fiscal-year budgets heavily dominated by insurance payments

accompanying such natural disasters as typhoons and earthquakes, there is great appeal to long-term assets composed of the savings-type products unique to life insurance.

Life insurance's total-asset growth rate (compared to the same quarter last year) had declined to the 7-percent level in the account closings for the first half of fiscal 1994 (April-September). That was the first time, except for the period of confusion after the war. Still, from another point of view, even were new contracts fewer than in the previous year, due to their annual insurance premium income, their growth in total assets reflects their strength to secure a minimal 7-percent increase.

In November 1992, the casualty insurers began selling casualty insurance-type pensions, which are a form of pension that was once the monopoly of life insurers. Having already achieved sales of 1.34 million policies by the end of March 1994, this is being interpreted that "although the life insurance market is in the saturation, the market expansion by competition can still be possible." However, the significance of reciprocal entry for life and casualty insurers apparently differs greatly from the banks' entry into the securities business. The major metropolitan banks' new companies that entered the securities business in November 1994 are truly strategic subsidiary firms wherein on average their capitalization is about 40 billion yen and their employees are almost all on loan from the banks. By contrast, life and casualty insurers agree that they "can never marshal that much capital or such a lineup."

Also, whereas the city banks are aiming to be universal banks and to position their securities business as a major future source of profits, the life and casualty insurers see the reciprocal entry to "fill out their product lineup so as to respond to customer needs."

Heavy Cost Burden

Also, as feasibility studies have progressed on reciprocal entry, these have brought out that for each the costs incurred will be greater than expected. One life insurance executive confides that life insurance and casualty insurance differ too much in their business know-how.

For life insurers the big issues are the structure that casualty insurance has for its assessing system for fire insurance and especially for auto insurance and securing the human resources relevant to this. On the other hand, for the casualty insurers, the business staffing system that the life insurers have built up over the years stands as a major obstacle.

As a first shot to overcome the cost cutting that is a bottleneck to entry, moves are becoming active by both life insurers and casualty insurers to set out with joint development of computer systems. Not only have the four big casualty companies other than Tokyo Marine and Fire Insurance started developing a joint life-insurance information system, but the seven leading

firms are also jointly buying the system that Tokyo Marine and Fire has developed. Since 1994, the six major life insurance firms, excluding Nippon Life Insurance, which is aiming for developing a system on its own, have been proceeding with joint development of a system for casualty insurance.

The sales sectors, which will decide the success or failure of the life and casualty insurers reciprocal entry, have already launched an all-out battle for reciprocal entry. Mitsui Life Insurance is activating such quiet moves as conducting market surveys on its existing sales personnel who will concurrently run casualty insurance agencies. The casualty insurers are also eager to expand their specialized agencies.

Hereafter, the field of corporate pensions, looking toward an aging society, is the one where the fiercest competition is foreseen. Among the casualty insurance agencies, there are many that are making inroads into specific firms. For the life insurers, the threat may be a scenario of the casualty insurance subsidiaries using such agencies to buy their way into life insurance. Particularly among the keiretsu companies, crustal change is anticipated in the maps by which the life insurers and casualty insurers have in the past existed separately. They will be facing an era of true liberalization.

Business Numbers Drop for First Time Since 1947

OW3003093695 Tokyo KYODO in English 0833 GMT 30 Mar 95

[FBIS Transcribed Text] Tokyo, March 30 KYODO—A depressed economy and a stronger yen led to a drop in the number of businesses and their employees in Japan last year for the first time since 1947 when the government began collating such statistics, the Management and Coordination Agency said Thursday [30 March].

An agency survey shows that as of April 1994, there were some 6.55 million businesses operating in the country, 0.2 percent fewer than at the time of the last survey in 1991, agency officials said.

The officials said the number of people working for these businesses totaled 54,366,000, down 1.2 percent.

The officials said the drop is due to a hollowing out of industry in Japan after the collapse of boom conditions during the so-called "bubble economy" and the transfer of production to overseas sites following the rise of the yen after the 1985 Plaza Accord.

Excluding businesses in the agriculture, forestry and fisheries sectors, the officials said analysis of the figures shows that whereas the service sector expanded 2.2 percent, the largest growth of any sector, manufacturing shrank 4.2 percent.

In the three years since the previous survey, among the newly established companies, new entries to the software industry increased 40.9 percent, reflecting big growth in computer companies.

In the entertainment sector, new ventures, including businesses specializing in the supply of "karaoke boxes," or booths which can be hired by groups wanting to entertain themselves by singing to videotaped music, reached 39.6 percent of the sector.

On a regional basis, the biggest increases in businesses were felt in Shiga, Saitama and Ibaraki Prefectures.

The largest decreases were in Tottori, Kochi, Yamaguchi, Kagoshima, Kyoto and Oita Prefectures.

Survey Reveals Widespread Job Elimination

OW2703123095 Tokyo KYODO in English 1152 GMT 27 Mar 95

[FBIS Transcribed Text] Tokyo, March 27 KYODO—One in every 10 Japanese firms surveyed eliminated the jobs of an average of about 21 people between September 1992 and August 1994 amid the nation's worst recession in the postwar era, the Labor Ministry said in a report released Monday [27 March].

The larger the size of the companies the more jobs were eliminated, the report said, noting that companies with 1,000 employees or more had cut an average of 131 jobs per company in the two years.

Companies with 100 to 999 employees, meanwhile, cut an average of 32 jobs and firms with 30 to 99 employees trimmed some 14 jobs in the period, it said.

Many such job cuts were carried out by inviting employees to apply for "early retirement programs" as a means of restructuring. Under such programs, employees were often offered extra incentives for leaving. There were also simple dismissals from the workplace, according to ministry officials.

The report said still about 70 percent of surveyed companies answered they would have to take further streamlining measures.

As reasons for further restructuring, those companies cited strong pressure to lower product prices, increasing competition and sluggish demand.

There is still an excess in the workforces of many companies, centering on the areas of office work and management, the report said, adding that the elimination of jobs may not have ended yet at Japanese workplaces.

The findings are based on the ministry's survey carried out in September 1994 on corporate restructuring. It covered a total of about 4,500 companies in manufacturing, construction, wholesale and retail sales, as well as service sectors.

Several methods of corporate restructuring were listed in regard to employment.

Of the total, 30.1 percent said they shortened working hours and 23.8 percent answered they transferred

employees to other sections or affiliates and in some cases to totally different companies.

Also 23.7 percent said they ceased the hiring of mid-career workers, and 20.6 percent said they did not hire people newly graduated from school.

Including all of these measures, 60.8 percent of the surveyed companies have engaged in some form of restructuring in employment, the report showed.

Government To Compile Supplementary Budget

*OW0404043195 Tokyo KYODO in English 0415 GMT
4 Apr 95*

[FBIS Transcribed Text] Tokyo, April 4 KYODO—The Japanese Government is considering drawing up a comprehensive economic pump-priming package to check the yen's unabated rise against the dollar and slumping stock prices, Finance Minister Masayoshi Takemura said Tuesday [4 April].

Takemura said at a press conference, after a regular cabinet meeting, "We are not making preparations for a broad economic package now, but it is a theme toward which each government ministry and agency must make efforts."

Takemura said the government will make efforts to compile a supplementary budget for fiscal 1995 "as soon as possible" to counter the yen's sharp appreciation, as well as to finance reconstruction of areas hit by the great Hanshin earthquake.

It will be the first time since February 1994 that the government has formulated an economic stimulus package.

During the cabinet meeting, Takemura gave a positive response to other cabinet members' calls for steps to activate the nation's securities markets by cutting commissions and securities transaction taxes, International Trade and Industry Minister Ryutaro Hashimoto said.

Takemura said he instructed the ministry to study possible measures, including tax incentives, to prop up the stock market.

As fundamental steps to check the yen's strength, Takemura proposed correcting the current account imbalance between Japan and the United States and increasing yen-denominated trading.

He also called for stronger international cooperation in foreign exchange markets, not only between Japan and the U.S. but also with European nations.

The finance minister criticized the Bank of Japan for failing to ease its credit grip despite his recent proposal.

Concerning criticism in industrial circles of the central bank's refusal to cut the official discount rate, Takemura said, "such a criticism might be partly true."

SDP May Leave Coalition Over War Resolution

*OW0104114695 Tokyo KYODO in English 1131 GMT
1 Apr 95*

[FBIS Transcribed Text] Hakodate, Japan, April 1 KYODO—A senior Social Democratic Party (SDP) [of Japan—SDPJ] official warned Saturday [1 April] the party may withdraw from the ruling coalition if its main partner blocks a no-war resolution in the Diet.

Wataru Kubo, secretary general of the SDP, told a news conference it is an important part of their agreement since the inauguration of the coalition government last year to have the resolution passed in the current session of the Diet.

The SDP will have to review the coalition framework if the agreement is not implemented, he added.

The SDP calls for the Diet to adopt a resolution pledging Japan will never again start a war, on the occasion of the 50th anniversary of the end of World War II.

Kubo's remark was directed at moves against the resolution within the Liberal Democratic Party, the main coalition group.

Japan's ruling coalition—the SDP, the Liberal Democratic Party (LDP) and New Party Sakigake [Harbinger]—agreed last year to pass a Diet resolution to commemorate the 50th anniversary of the war's end, but Prime Minister Tomiichi Murayama's SDP and the LDP have split over whether the resolution should include some expression of apology to Asian countries Japan invaded during the war.

Kubo, on a local election campaign tour of northern Japan, said he will continue to push for the formation of a new party before the House of Councillors election in July.

An earthquake disaster in the Kobe area, western Japan, has stalled a drive led by former SDP Chairman Sadao Yamahana and his supporters to form a new party.

Approval Rate for Murayama Cabinet Improved

*OW0404003995 Tokyo KYODO in English 2339 GMT
3 Apr 95*

[FBIS Transcribed Text] Tokyo, April 4 KYODO—The support rate for the cabinet of Prime Minister Tomiichi Murayama increased to 39.1 percent last week from 36.8 percent in January, a leading business daily reported Tuesday [4 April].

The disapproval rate for the cabinet decreased to 36.4 percent from 38 percent registered in a previous survey in January, the NIHON KEIZAI SHIMBUN said.

The newspaper conducted the survey from Friday to Sunday among 3,000 eligible voters, of whom 2,918, or 60.4 percent, responded.

The NIHON KEIZAI said 75.1 percent of respondents called on the cabinet to take measures to counter the yen's surge against the U.S. dollar and the plunge in the stock markets.

Murayama Doubts New Party Launch Before Jul

OW0404051895 Tokyo KYODO in English 0422 GMT 4 Apr 95

[FBIS Transcribed Text] Tokyo, April 4 KYODO—Prime minister and Social Democratic Party (SDP) Chairman Tomiichi Murayama said Tuesday [4 April] he sees little chance of the SDP implementing its plan to create a new Liberal Party before the July elections of the House of Councillors.

"We don't need to stick to the plan," as proposed by the SDP's executive body, to launch a new party before the upper house poll, Murayama told reporters.

"We cannot go ahead with the plan until the conditions for inaugurating a new party are in place," he said.

Calls for delaying the launching of the new party have strengthened among the SDP lawmakers of the upper house as well as the SDP cabinet members.

SDP Secretary General Wataru Kubo also recently voiced a flexible stance about a delay.

Murayama's remarks on Tuesday apparently reflect the sentiment within the party about the issue and are also a part of his tactics to weaken the momentum of an SDP group led by former party chairman Sadao Yamahana, who is calling for dissolving the SDP in May and launching the new party before the poll.

Article Views Intra-Coalition Power Struggle

OW0404042695 Tokyo BUNGEI SHUNJU in Japanese Apr 95 pp 224-228

[Article by Taro Akasaka: "How Will the Power Struggle Between Takemura and Hashimoto Over Who Will Succeed Murayama Turn Out?"]

[FBIS Translated Text] Seiroku Kajiyama, former secretary general of the Liberal Democratic Party [LDP], who is a founder of the current administration led by socialist leader Tomiichi Murayama, is very concerned about recent disagreements within the ruling tripartite coalition. "All coalition members felt relieved when they realized that formation of the opposition party Shinshinto [New Frontier Party] had little effect on the current political situation. This is why discord among the three coalition parties immediately came to the fore. Coalition members should be careful, because a mere quarrel may prove fatal to the Murayama administration," Kajiyama grumbled to himself.

One of the conspicuous disagreements within the ruling coalition is the struggle between the LDP and Sakigake [Harbinger] over the question of how to eliminate,

consolidate, or streamline the nation's special corporations. The focus of the struggle was the debate over how to merge government-affiliated financial institutions. Although coalition members had previously agreed to wrap up the restructuring issue by 10 February, the turmoil continued into the small hours of 11 February. In the end, they reached an agreement to put off the final decision until the end of March. This issue has developed into a serious problem that threatens the harmony that has somehow been maintained among the three parties. At the same time, the question arose as to whether or not Prime Minister Murayama should promptly resign, to take full responsibility for what was criticized as an inadequate response on the part of the government to the Great Hanshin Earthquake. Speculation rapidly spread among politicians and bureaucrats that Murayama would soon give up office and resign, in March at the earliest.

Takemura's Ambition

Murayama attracted the Japanese media's attention at the end of 1994 when he returned to his hometown for the first time since being elected prime minister, not triumphantly, but full of apprehension about his unsteady footing. At that time, Sadao Yamahana, former chairman of the Social Democratic Party of Japan [SDPJ] and leader of an intraparty group called the New Democratic League, was busy making preparations to break away and form a new party in January 1995.

A secret meeting was also held at that time between Masayoshi Takemura, leader of Sakigake, and Akira Kubo, secretary general of the SDPJ. This meeting turned out to be a prelude to the current discord within the ruling coalition. "After all, Sakigake and the SDPJ have the same objective, which is to create a third political force. I am sure the two parties can cooperate in bringing liberal politicians together to counter large conservative parties," Takemura said during the secret meeting held on 31 December 1994. Kubo listened closely to Takemura, who continued saying: "The prime minister is serious about carrying out administrative reform. Why do we not create a new party called the Administrative Reform Party? Please examine this possibility."

In fact, there was a preliminary meeting prior to this Takemura-Kubo meeting. The day before, Takemura secretly went to Kyoto to meet the SDPJ's Vice Secretary General Masaki Goto. Takemura and Goto agreed to form a "moderate alliance" between Sakigake and the SDPJ, gathering various people including academics and scholars. They also confirmed that Sakigake and the SDPJ will basically consult each other first when coordinating policies within the tripartite ruling coalition.

Takemura got in touch with Kubo as the next step. Kubo's answer to Takemura's proposal to create an "Administrative Reform Party" is still unknown. However, it is almost certain that he did not give a favorable answer. Kubo did not say a word about the meeting itself.

There reportedly exists a secret understanding between Kubo and Yamahana [head of the New Democratic League]. Takemura tried to drive a wedge between them by proposing the formation of a new party, while he aimed at checking the LDP's movements by emphasizing bilateral consultations between Sakigake and the SDPJ.

Sakigake is a small political party of only 21 members, led by a power-hungry "Balkan politician." Its real motives can be seen in the abovementioned facts. Sakigake aims at taking leadership in the next round of political realignment, by absorbing the SDPJ and dividing a self-contradictory LDP. According to a senior member of the Yamahana group (the New Democratic League), Sakigake's real objective is to achieve a "broad political realignment." According to a source close to the ruling coalition, Sakigake plans to form a study group to discuss what Japan should be, with many famous intellectuals as central figures, such as novelist Ryotaro Shiba. It aims to develop this group into a broad political force by inviting the general public to join the movement.

Prime Minister Murayama found this idea very attractive. He fell under the influence of Takemura and Shusei Tanaka, Sakigake's acting leader, and he started saying, at the end of the last year, that the formation of a third political force to counter the two conservative parties should be supported by various people, including intellectuals.

As for Takemura, he began to speak emphatically after the New Year began.

"The Prime Minister is ready to resign if he fails to carry out administrative reform. We, Sakigake, are also determined to take responsibility," Takemura said in a TV talk show at the beginning of this year. In addition to appealing to the public, Takemura tried to give the impression that he and the prime minister were one and undivided. Takemura was viewed by most politicians as being confident of becoming the next prime minister should Murayama step down.

When they came out of the prime minister's office, Hashimoto and Takemura did not say anything about the contents of the meeting. However, they seemed to be together as they shook hands with each other demonstratively before a group of reporters.

Hashimoto's plan was also accepted by the MOF. According to a high-ranking official of the Management and Coordination Agency, this idea was viewed as the only and best solution by a small group of senior bureaucrats who were well informed about the situation. Despite that, the plan proved abortive in less than a day.

The information about the creation of a new advisory body leaked out from the Hashimoto side, which was too confident of success. All of the evening newspapers put the story on their front pages on 7 February. The second

round of discussions over the merger or elimination of government-affiliated financial institutions, including the Japan Development Bank, turned into a fierce battle between Sakigake and the LDP, which has been influenced by a subtle anti-Hashimoto sentiment. Hashimoto, who immediately sensed his colleagues' feelings, decided to abandon his plan and notified the LDP leadership of his intention to toe the party line.

The LDP still has many zoku dietmen lobbying for specific industrial sectors. They have always assumed a very cautious attitude toward restructuring the government's special corporations. The postal saving system and government's investment-and-loan program system, which provides funding to government-affiliated financial institutions, have remained untouched for a long time, as they have served as a vote-getting machine for the LDP. Reforming these systems carries a lot of risk for the LDP.

"Sakigake only says things that sound good!" The LDP finally let loose its indignation against a two-faced Sakigake.

The LDP's three top executives: Secretary General Yoshiro Mori, Kabun Muto, chairman of the Executive Council, and Koichi Kato, chairman of the Policy Research Council, discussed the special corporations issues during the regular session of the Diet, on the evening of 7 February. They reconfirmed that they would do their utmost to carry out only the merger of the Japan Development Bank and Export-Import Bank of Japan. In other words, the three top executives refused to accept Hashimoto's proposal to set up a new advisory body to take up the issue. "We cannot remain modest forever out of deference to a small political group. If Sakigake members are not happy with us, they can just leave the government. If we cannot merge the two government banks, the Murayama administration will collapse," one of the three top executives said angrily.

This executive was swayed by mixed sentiments: An ill feeling toward Hashimoto, who did unwanted things; and an antagonistic feeling toward a wayward Sakigake, which does not hesitate to say what it has to.

Kato was entrusted with the task of materializing the merger plan. He frequently made phone calls to former Prime Minister Noboru Takeshita and former Deputy Prime Minister Masaharu Gotoda. He also visited them to discuss the matter.

Kato's sayings and doings are often based on his long-held ill feeling toward the MOF. His words and deeds clearly proved the struggle over whether to merge government-affiliated financial institutions was also a battle between MOF bureaucrats and politicians who favor the former Ministry of Home Affairs and dislike the MOF.

Taking sides with the MOF, Takeshita tried to dissuade Kato from carrying out the merger. "We will create a

terrible economic monster by merging the Japan Development Bank and Export-Import Bank of Japan. Other nations will no longer place confidence in Japan," Takeshita said to Kato over the phone. Kato flatly refused to consider Takeshita's opinion. "I am sorry but I do not agree with you," Kato said politely.

Kato's father served in the former Ministry of Home Affairs before been elected to the Diet. Kato frequently visited Gotoda to ask for his support in the battle against the MOF. In terms of the battle between Finance Minister Takemura and MOF bureaucrats over whether to merge government-affiliated financial institutions, Takemura received Gotoda's backup from the beginning. Thus there was a strange antagonistic relationship between the two parties. The LDP and Sakigake have been fighting because they oppose each other over the merger issue. However, at the same time, they stood on the same ground in the battle between politicians and bureaucrats over the same issue, with Gotoda as the central figure.

They put an end to this complicated struggle in the small hours of 11 February, by adopting an unproductive solution: To put off the final decision.

Thereby, the "administrative reform" bomb that was planted by Sakigake did not explode after all. The decision to put off the settlement of the merger issue showed the limit of "administrative reform without philosophy."

Meanwhile, the opposition Shinshinto, whose popularity remains low in different public opinion polls, is now at a loss as to how to continue the offensive against the Murayama administration. Shinshinto members set Toshiki Kaifu up as their president, under the initiative of Ichiro Ozawa and Yuichi Ichikawa. However, the party failed to offer a fresh image and win public support, because Kaifu was an old familiar face who served as prime minister under the so-called 1955 political order. Kozo Watanabe of Shinshinto, who was once counted among the seven most important figures of the former LDP faction led by Takeshita, ground his teeth with vexation at having chosen Kaifu as president. "We old familiar faces should have been devoted entirely to playing the role of stagehands. We should have picked out an unexpected person to be president. We should have been bold enough to have, for instance, Hajime Funada (former director general of the Economic Planning Agency) as president," Watanabe said.

Although Yamahana put the wheels in motion to break away from the SDPJ and form a new party at the end of last year, he was forced to indefinitely put off his plan following the Great Hanshin Earthquake. Unlike Yamahana, Takemura continued to pursue his ambitions even after the earthquake.

The atmosphere became tense within the ruling coalition with the approach of the 10 February deadline for wrapping up a plan to streamline the government's special corporations.

The focal point of the administrative reform drive was how to merge government-affiliated financial institutions. The battle over this question broke out on three different fronts: Takemura versus Hashimoto; Sakigake versus the LDP; and politicians favoring the former Ministry of Home Affairs while disliking the Ministry of Finance [MOF], versus MOF bureaucrats.

At an early stage, Sakigake proposed a drastic plan to merge several government-affiliated financial institutions, including the Japan Development Bank. This plan was strongly opposed by Ryutaro Hashimoto, minister of international trade and industry. Hashimoto is an key LDP person who plays a pivotal role in maintaining the life of the Murayama administration.

Hashimoto once served as a member of the lower house Social and Labor Affairs Committee. Using this background, Hashimoto won the confidence of Murayama, who also served for a long time as an executive member of the said committee. They promoted friendly relations based on common feelings. Hashimoto familiarized himself with all kinds of information about the Murayama administration, from important pending issues to their focal points, as well as information about Murayama himself, such as the condition of his health.

On the evening of 24 January, Hashimoto and Takemura were immediately surrounded by reporters assigned to cover the prime minister, when they emerged from the entrance of the Prime Minister's Official Residence after nine o'clock. "Earthquake? Ah, yes. We briefly talked about special legislation to facilitate disaster relief and rehabilitation activities. But we did not discuss things in depth, because the main purpose of today's gathering was to cheer up the prime minister. I was asked to attend the gathering, that is all. I was just an observer," Hashimoto said, when he was asked by reporters about the Great Hanshin Earthquake. He was in a quite cheerful mood, because he had drunk about four small-bottle servings of Japanese sake during the gathering. In contrast, Takemura was in an ugly mood. "Earthquake? Yes, we discussed it, but I have nothing to say about it," Takemura said with a sullen look.

The gathering was, in effect, held between four persons: SDPJ Chairman Murayama, LDP President Yohei Kono, Sakigake leader Murayama, plus Hashimoto. They freely exchanged their views about important pending issues for about two hours. As a matter of course, the administrative reform issue was also brought into the conversation.

For some time now, Hashimoto, who does not appreciate Takemura's handling of administrative reform, has been saying to his closest associates: "Takemura says good things without having any definite vision of administrative reform, because he just wants to appeal to the public."

Under the influence of drink, Hashimoto argued Takemura into silence during the gathering. Hashimoto is an

expert in administrative reform. When he served as transport minister, he supported the Ad Hoc Commission on Administrative Reform led by Toshio Doko, the then chairman of the Japan Federation of Economic Organizations [Keidanren], along with Ryuzo Sejima (executive advisor to Itochu Corp.), and he promoted the privatization of the Japan National Railways, which was said to be very difficult to carry out. That is why he was very anxious about Takemura's tactless way of promoting administrative reform without having any ideology. That is also why he was very angry at Takemura, who has been using the administrative reform issue as a political tool to win public favor. Hashimoto was particularly displeased with Takemura's attitude, which showed his secret desire to become the next prime minister.

About two weeks after the gathering, Takemura started to reflect on his conduct. "Even if I cry for reform, I cannot win public favor unless I clearly define my point of view and my standard of judgment. I went too far into the special corporations issue and I failed," Takemura said to his closest associates. When Hashimoto realized Takemura had begun to show defeat, he decided to let Takemura off the hook.

Hashimoto's Counterattack

Hashimoto was struck by a sense of crisis when the LDP was defeated by the opposition Shinsinto in the Aomori gubernatorial election on 5 February. The incumbent LDP-supported governor, Masaya Kitamura, who was trying for his fifth term in office, was ousted by a former member of the House of Representatives, Morio Kimura, who ran on a Shinsinto ticket.

Hashimoto immediately presented a compromise proposal to Takemura over the merger issue, during a meeting held on the evening of 6 February, in the presence of Prime Minister Murayama, Chief Cabinet Secretary Kozo Igarashi, and Deputy Chief Cabinet Secretary Nobuo Ishihara.

Hashimoto suggested the establishment of a new advisory panel to the prime minister, to discuss financial policies, including reform of government-affiliated financial institutions and restructuring of the government's investment-and-loan programs, which were the fundamental problems of the special corporations issue. Hashimoto made such a proposal because he knew the drastic plan proposed by Takemura to merge or eliminate several government-affiliated financial institutions was essentially impracticable. If the government were to set up such a new advisory group to discuss the specific problems, it would no longer have to absolutely meet its 10 February deadline for wrapping up a reform plan. Takemura, who has been in a difficult situation since MOF officials offered stubborn resistance to his merger plan, immediately accepted Hashimoto's proposal.

Right after the Great Hanshin Earthquake, Shinshinto strongly blamed Murayama for the government's slow

response to the earthquake. Shinshinto was successful in dealing Murayama a heavy blow.

However, Murayama recovered immediately. He was extremely nervous before the Hanshin district was hit by the earthquake, because his party was exposed to the danger of breakup. He regained his presence of mind after the earthquake because the renegade group within the SDPJ put off its plan to leave the party. Murayama seemed to have made up his mind to stay in office. Until now, people could not understand what the Murayama administration was really aiming at, because his vision was rather unrealistic. But now, he has clearly defined rebuilding of quake-hit areas as his government's primary duty.

Speculation is now rife that Murayama will reshuffle his cabinet before the end of March. As the budget bill for fiscal 1995 is expected to be given the Diet's final approval by the end of fiscal 1994, politicians are speculating that the cabinet reshuffle will be carried out between 17 March and 23 March. The upper house is expected to vote on the budget bill on 17 March, while campaigns for regional elections will kick off on 23 March.

Meanwhile, the battle between the LDP and Sakigake will soon enter the second round, because they agreed to settle the question over how to merge government-affiliated financial institutions by the end of March. Moreover, 31 March is also the deadline for wrapping up a five-year deregulation plan.

Hashimoto has already made the first move ahead of the second round. On the evening of 17 February, he had a meeting with Murayama at his official residence for two and a half hours. "I will say what I have to say about administrative reform, but I will not fail to bring the negotiations to a successful conclusion," Hashimoto assuredly said to Murayama.

As the special emergency legislation aimed at facilitating the reconstruction of the quake-torn Kobe area was enacted, and the Diet passed the second supplementary budget bill for fiscal 1994, which was aimed at funding emergency salvage and reconstruction projects, how to fund longer-term reconstruction projects will become the next hot issue. Sakigake is already asking its coalition partners to immediately open the debate by assuming that a further increase in the consumption tax is unavoidable. The LDP, which fears that this debate over how to fund reconstruction projects may turn into a tax increase debate, is trying to delay it as much as possible. The discord over this knotty issue, which implies a possible tax increase, reflects the difference in their ulterior motives vis-a-vis the question of whether or not to quickly dissolve the lower house in order to hold the lower house election at the same time as the upcoming upper house election. The LDP wants to leave room for dissolution of the lower house, while Sakigake wants instead to create a situation under which it would

become impossible for Murayama to dissolve the lower house for a general election.

Another factor that makes it difficult to foresee future developments in the political situation is the government's controversial plan to bail out two troubled credit unions. There are already signs this issue may turn into a big scandal involving politicians and bureaucrats. Allegations of wrongdoing are swirling around Tokyo Kyowa Credit Union and Anzen Credit Union, and the name of a Shinsinto politician was already made public. Meanwhile, a big-shot politician of the ruling coalition is now alleged to have intervened in the bailout of these two lending institutions that went virtually bankrupt because of mismanagement. A scandal, which is an inevitable accompaniment to a change of government, is gradually taking shape.

Police Sent to U.S. for Aum Investigation

OW0304115095 Tokyo KYODO in English 1101 GMT 3 Apr 95

[FBIS Transcribed Text] Tokyo, April 3 KYODO—The National Police Agency has dispatched two officials to the United States to look into the U.S. activities of the religious cult Aum Shinrikyo, agency officials said Monday [3 April].

The two officers are scheduled to exchange information with the Federal Bureau of Investigation about the number of believers of Aum's New York branch and its missionary activities, they added.

The agency did not reveal the detailed itinerary of the two investigators.

Last month, Attorney General Janet Reno indicated the U.S. authorities are investigating Aum's alleged involvement in abductions and other unlawful operations.

The agency has already sent two investigators to Russia to gather information on Aum's activities there.

These two officers will also visit Germany to look into Aum's activities there after staying several days in Moscow, according to the officials.

The Japanese group, which claims some 10,000 followers in Japan, has four overseas branches, including in those in New York, Moscow and Bonn.

'Secret' Uranium Enrichment Document Confiscated

OW0204135595 Tokyo MAINICHI SHIMBUN in Japanese 2 Apr 95 Morning Edition p 1

[FBIS Translated Text] On 1 April, investigators found a major heavy machine maker's classified document on uranium enrichment technology among the belongings of an Aum Shinrikyo male follower (26), who had been arrested in Shiga Prefecture. The police investigations of the religious group have confirmed traces of sarin manufacturing and biological weapons research. But this is

the first discovery of a document regarding nuclear materials, including uranium. The document's cover says "top secret to outsiders of the company." The investigators are questioning the male cult follower to find further details on how and why he obtained the classified document. The investigators are now trying to hurriedly shed light on the actual conditions of the mysterious group's "science and technology agency."

On 21 March, the male follower escaped from the Aum Shinrikyo facility in Kamikuishiki-mura in Yamanashi Prefecture, the day before police, including the Police Agency, launched raids on the sect. On 23 March, he was arrested in Shiga Prefecture for obstructing police in carrying out their duties. Magnetic tapes containing name lists of cult followers, a duralumin case, which has the same structure [koso] as that of a sprayer found at Kasumigaseki Station, and other items were found in the trunk of the car he was driving.

The investigators have been trying to identify and analyze information contained in the confiscated items by using a magnetic tape reader. They have confirmed the existence of the classified document, which was prepared by a major heavy machine maker.

The document contains uranium enrichment technology and highly technical descriptions. Some portions of the document refer to laser beams and other technologies. The investigators are asking specialist for their advice on the new finding.

Uranium enrichment is an operation technology designed to artificially increase the purity of uranium 235 in natural uranium. Its concentration in natural uranium is only 0.72 percent. A gas diffusion method and centrifugal separator are currently used for enriching uranium. However, researchers are studying the possibility of using laser and plasma beams for the next generation uranium enrichment technology.

This major heavy machine maker has built many nuclear power stations. Judging from the fact that the document refers to laser beam use, the investigators think this is a document on cutting edge technologies.

Investigations have revealed that the male follower is not a scientist, but belongs to the cult's "science and technology agency" and is in charge of general affairs.

Aum Shinrikyo Said To Make Gun Parts, Knives

OW0404124995 Tokyo KYODO in English 1221 GMT 4 Apr 95

[FBIS Transcribed Text] Tokyo, April 4 KYODO—A facility of the religious sect Aum Shinrikyo which police raided Tuesday [4 April] in connection with last month's gas attack on Tokyo's subway system housed precision machinery and was used to make gun triggers and knives, according to former followers.

Police searched the facility in Tomizawa, Yamanashi Prefecture, west of Tokyo, and seized documents, pharmaceuticals and floppy discs, police sources said.

But they declined to confirm whether there was precision machinery in the facility, which the sect calls Seiryu Shoja, or Clear Stream Temple.

Former followers have said the building contained much sophisticated machinery, including 10 numerically controlled lathes each valued at more than 10 million yen, and was used to make gun triggers and knives with a blade 9 centimeters long.

They say the machinery valued at some 100 million yen was moved from a company run by a former follower in the spring of 1993 after it went bankrupt.

The machinery in question can make a variety of metal products and the sect has said recently the facility was used to make aircraft parts.

The facility has what appears to be ventilation shafts on the outside wall which are similar to those found at a building in a sect complex in Kamikuishiki, Yamanashi Prefecture, at which chemicals and equipment suspected of being used to make the nerve gas sarin were found.

Sarin was used in the March 20 gas attack on Tokyo's subway system that killed 11 people and injured more than 5,500 others.

Aum Sect Researching Botulinus Bacillus Weapon

OW0404111395 Tokyo MAINICHI SHIMBUN in Japanese 3 Apr 95 Evening Edition p 1

[FBIS Translated Text] Aum Shinrikyo (led by Shoko Asahara), which is highly suspected of manufacturing sarin, has undertaken a high level of research on manufacturing biochemical weapons using botulinus bacillus. This was learned on 2 April by investigations conducted by the Tokyo Metropolitan Police Department and other authorities. Possessions of a male follower, who was assigned to the "Science and Technology Agency" [STA] and arrested in Shiga Prefecture, were found to have contained top secret data on uranium enrichment technology. Now that it is learned the religious cult has had a strong interest in "ABC weapons" (atomic, biological, and chemical), the investigating authorities have concluded that the STA was organized to manufacture ABC weapons. The investigating authorities plan to investigate what the agency has done until now.

The investigating authorities have been searching the religious sect's facilities in Kamikuishiki Village, Yamanashi Prefecture, since 22 March. The authorities have discovered a large quantity of peptone used to culture germs in Satian 6. Germ-culture equipment, electron microscopes, and other experimental equipment, which can be used to do germ research, have been discovered in a prefabricated building located near a chapel in Satian 10. The investigating authorities have confirmed that the prefabricated building is designed to undertake germ research.

The religious cult purchased botulinus bacillus in large quantities. The botulinus bacillus can be used to manufacture biological and germ weapons, and given the

prefabricated building's structure, it is hard to believe that the building was constructed for other than manufacturing biological and germ weapons. Data on germ weapons has been discovered in the prefabricated building. Now that the existence of a facility used exclusively to manufacture biological and germ weapons has been confirmed, the investigating authorities are increasingly taking the view that the religious group has been working on the systemic development of biological and germ weapons.

Meanwhile, the religious sect obtained data on uranium enrichment technology from a major heavy machinery maker; the data was marked "Not To Be Revealed Outside." Documents confiscated in the prefabricated building contain statements on nuclear technology. The investigating authorities take the view that although it is hard to believe the religious cult envisioned manufacturing atomic bombs, which requires an extremely high level of scientific know-how and technology, it is certain that they had a strong interest in manufacturing atomic bombs.

A large quantity of glycerin and other chemicals used to manufacture explosives has been discovered in other facilities. The STA is believed to have been organized as a weapons development division of the religious cult.

According to the investigations, the STA is said to be a division under the direct control of cult leader Asahara and Satian 7, which is highly suspected of having manufactured the sarin and is under STA control. A few years ago, cult leader Asahara prophesied: "Nuclear and chemical weapons will be used in Armageddon, which will break out in the near future and much of mankind, except for Aum Shinrikyo believers, will die." The investigating authorities are paying great attention to the relationship between his prophecy and the STA's sphere of research, which is beyond comprehension.

Experts Evaluate Aum's Chemical Plant Highly

OW0304023395 Tokyo MAINICHI SHIMBUN in Japanese 31 Mar 95 Evening Edition p 15

[FBIS Translated Text] Ground Self Defense Force [GSDF] officers specializing in chemical warfare have noted that Aum Shinrikyo's chemical facilities are "larger and more sophisticated than the chemical weapons plants used by Iraq during the Gulf war." A source concerned said on 31 March that, GSDF specialists submitted a report to the Defense Agency and Self-Defense Forces [SDF] after taking part in a police investigation of Aum's Satian No. 7 building, which is believed to be a nerve gas plant producing sarin, located in Kamikuishiki, Yamanashi Prefecture. The report also says: "The plant is too sophisticated to be a product of civilian technicians." Furthermore, the specialists said the Aum sect may be hiding a large quantity of sarin, as evidence suggests production has been under way since around last June, and a large quantity may still be hidden by the sect.

More than 10 specialists from the Ground Staff Office chemical warfare study team and GSDF Chemical School joined an investigation conducted by the Tokyo Metropolitan Police Department. Some of them also took part in UN inspections of Iraq's chemical weapons plants in 1993 as Foreign Ministry officials.

The source concerned with the police investigation said the GSDF officers concluded that Aum Shinrikyo sect's sarin production facilities are "seemingly larger, more sophisticated, and of better quality than Iraq's chemical gas plants, and are good enough to produce highly-purified sarin."

In addition, they commented: "Such sophisticated facilities give the impression they were built based on a blue print drawn up by military personnel specializing in production of chemical weapons."

After analysis of deposits inside piping, the specialists concluded the sarin factory was completed by last June and has been producing nerve gas continuously.

According to the Defense Agency, the SDF study chemical warfare and develop protective equipment to prepare for possible attacks with chemical weapons. The SDF produces not more than 100 grams of sarin and other nerve gases per year in laboratories, to test the safety of protective suits and masks developed for SDF staff. However, the SDF has no experience or know-how on producing large quantities of highly-purified sarin as a chemical weapon. In this connection, a Defense Agency official said the best way to assess the capability of the Aum plant is to compare it with Iraq's toxic gas plants, based on SDF data obtained through UN inspections.

One of the officials who received the GSDF report commented: "It was not the final report, but it is questionable whether such facilities could be designed by graduates of Japanese colleges."

North Korea

ROK Criticized for 3-8 Apr Military Exercises

SK0404052595 *Pyongyang KCNA in English 0449*
GMT 4 Apr 95

[FBIS Transcribed Text] Pyongyang, April 4 (KCNA)—The South Korean puppet clique launched into large-scale joint tactical manoeuvres involving over 80,000 troops and aircraft and warships and other combat equipment in South Korean Kangwon and North Kyongsang Provinces on April 3, according to a Seoul-based radio report.

The South Korean puppets are laying stress on the surprise assault and landing exercise of the Marines and the joint air attack exercise of the Air Force in the manoeuvres that will continue till the 8th of April, more overtly revealing the offensive nature than before.

This is one more provocative war gamble against the North.

The South Korean bellicose elements try to find a way out in aggravating the North-South confrontation. But, their efforts will only precipitate their destruction.

ROK Union Members Hold Street Demonstration

SK0404043995 *Pyongyang KCNA in English 0414*
GMT 4 Apr 95

[FBIS Transcribed Text] Pyongyang, April 4 (KCNA)—Over 35,000 members of the Trade Union of Communications of South Korea and their families held a meeting for collective bargaining in 1995 at the Poramae Park in Seoul on April 2, according to a report.

In a statement they said that "now the wages do not reach even the minimum cost of living" and strongly urged the company side to raise the wages and stop the opening of communication market of South Korea.

After the meeting they staged a street demonstration up to the Yoido Square.

'Religious' Groups Denounce Kim Yong-sam Group

SK0404050595 *Pyongyang KCNA in English 0411*
GMT 4 Apr 95

["Anti-Ethical Crime of Kim Yong-sam Group Denounced"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, April 4 (KCNA)—Chairmen of religious organisations in the Democratic People's Republic of Korea issued statements to the press, denouncing the Kim Yong-sam group for trying to justify the anti-ethical deed toward the misfortune of the fellow countrymen in the North.

The traitor Kim Yong-sam, who lacerated the hearts of the fellow countrymen who were in bitter grief at the death of the great leader President Kim Il-song last year, is still justifying himself by describing his thrice-cursed crime as a "proper step".

Yu Mi-yong, chairwoman of the Central Guidance Committee of the Korean Chondoist Association, bitterly denounced the behaviour of the Kim Yong-sam group in the name of the Chondoists, branding it as an anti-ethical crime quite contrary to the morality of Chondism.

Neither the idea of "promotion of national interests and welfare of the people" nor the reunification of the country can be achieved, if the enemy of the nation, the traitor Kim Yong-sam who has obstructed the national reconciliation and unity and rushed headlong toward confrontation between the North and the South is left intact, she said.

Kang Yong-sop, chairman of the Central Committee of the Korean Christian Federation, said:

The traitor Kim Yong-sam, styling himself a Christian Presbyterian, lacerated the hearts of the fellow countrymen wailing over the great misfortune. Worse still, he is trying to justify this thrice-cursed crime. This is a truculent heretical act and an insult to the Christians.

Chang Chae-chol, chairman of the Central Committee of the Korean Roman Catholic Association, said that through its foolish act, the Kim Yong-sam group revealed itself that it has no intention to achieve national reconciliation and hold dialogue with the fellow countrymen in the North.

Pak Tae-ho, chairman of the Central Committee of the Korean Buddhist Federation, said: The crime of the traitor Kim Yong-sam is too heinous to be pardoned. The nation will deliver stern judgement on Kim Yong-sam.

The statements expressed the hope that all the religionists and people from all walks of life in South Korea would take an active part in the nationwide struggle to remove the traitor Kim Yong-sam and achieve reunification in the 1990s.

Sariwon City Workers Denounce Kim Yong-sam Group

*SK0404050295 Pyongyang KCNA in English 0421
GMT 4 Apr 95*

["Kim Yong-sam Group's Anti-Ethical Criminal Acts Denounced"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, April 4 (KCNA)—The working people in Sariwon City of the Democratic People's Republic of Korea denounced on April 3 the Kim Yong-sam group for still describing as a "proper measure" the anti-ethical crime they committed over the last year's misfortune of the fellow countrymen who lost the father of the nation.

Kim Chin-ok, chairman of the North Hwanghae Provincial Administrative and Economic Committee, and representatives of various social strata said in their speeches that the inhuman acts committed by the Kim Yong-sam group fully revealed that they have no intention for national reconciliation and dialogue with the fellow countrymen in the North and no willingness to change their hostile policy of confrontation with the North, their dialogue partner. The speakers also said they are a group of immoral and depraved fellows without human conscience and morality, an anti-national, anti-reunification group going against the desire of the fellow countrymen for reunification.

Saying it is disgrace to the Korean nation to have such a traitor and immoral person as Kim Yong-sam in its 5,000-year-long history, the speakers called on the students and people throughout South Korea to rise up as one in the struggle to overthrow the Kim Yong-sam

fascist clique, who are balking at reconciliation and unity between the North and the South and the country's reunification.

They stressed all the people must vigorously struggle to decisively smash anti-national, anti-reunification and anti-dialogue moves of the South Korean ruling quarters, and achieve the independent and peaceful reunification of the country, closely united around the great leader Comrade Kim Chong-il.

ROK Defense Minister's 1 Apr Remarks Viewed

*SK0404050395 Pyongyang KCNA in English 0432
GMT 4 Apr 95*

["Reckless War Hysteria"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, April 4 (KCNA)—Yi Yang-ho, puppet defence minister of South Korea, vociferated about the "establishment of posture of coastal defence" and "globalization of the Navy" at a "ceremony for replacement of the Chief of General Staff of the Navy" on April 1, according to a report.

This fully reveals the criminal attempt of the South Korean bellicose elements to intensify the coastal attack posture and, at the same time, to ignite a war against the North at any cost not only in the sky and the land but also on the sea by the help of outside forces.

Recently, the traitor Kim Yong-sam spat a string of provocative balderdash such as "punishment" and "warning", taking issue with the North as regards the implementation of the DPRK-U.S. framework agreement and then the puppets "agreed" to take a "measure for punishment". Meanwhile, the puppet defence minister cried for the intensified "defence posture" of different services of the puppet army. This is no accident.

As it is obvious that they will lose in the "local autonomous bodies elections" slated for June, the Kim Yong-sam group are madly whipping up a war fever as part of their crafty attempts to divert elsewhere the attention of the people, who have strong feelings against Kim Yong-sam, and to prop up the power at any cost.

The fact shows well that the Kim Yong-sam group are, indeed, a heinous enemy of the nation who is ready to plunge the fellow countrymen into a holocaust of war for the sake of security of their power, and the main wrecker of peace and security on the Korean peninsula and a fanatic advocate of division and confrontation totally refusing the North-South dialogue.

The South Korean warmaniacs must clearly see the might of the steel-like singlehearted unity and the matchless Revolutionary Armed Forces of the DPRK and stop running amuck.

Kim Tae-chung Remarks on Condolence Issue Noted

*SK0404053495 Pyongyang KCNA in English 0440
GMT 4 Apr 95*

["Anti-Ethical Crime Deserving Punishment"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, April 4 (KCNA)—A spokesman for the "Democratic Liberal Party" of South Korea on April 1 took an issue with the remark of [former opposition party leader] Kim Tae-chung who in a lecture in Taejon on March 31 criticized the puppets again for having refused to take a "resourceful action" at the time of the misfortune of the North. The spokesman urged Kim Tae-chung to "make his stand clear" and take a responsible attitude", according to a report.

Earlier, chairman of the "Democratic Liberal Party" Yi Chun-ku threatened Kim Tae-chung with "stern judgement" and the like, bringing charges against his remarks of March 22 that "the government took a wrong attitude toward the condolence issue".

This fully reveals the criminal intention of the Kim Yong-sam group to unreasonably persecute the person who gave them proper advice on their indelible heinous crimes against the nation.

Kim Tae-chung's proper advice can be said to reflect the feelings of South Korean people who had deeply mourned over the death of the father of the nation and represent the voices of world conscience, rather than his personal sentiments.

Should the traitor Kim Yong-sam have even a drop of blood of the Korean nation, he should have willingly accepted the proper advice of Kim Tae-chung with sincerity and apologized to the nation for his thrice-cursed crimes in having lacerated the hearts of the fellow countrymen in the North over the misfortune.

Instead of making an apology, however, the Kim Yong-sam group intends to persecute Kim Tae-chung for his good-intentioned advice while trying to justify their wrong deeds. Is there any other human scum in the world than the Kim Yong-sam group of immoral rascals?

Unpardonable are the deeds of the puppets in adding crimes to the record of the thrice-cursed crimes they have already committed.

The repressive moves of the puppets show that they follow all the evil habit of the successive military fascist cliques who had ostracized their political rivals by charging them with having different ideas. It is also a repetition of the trite "theory of different coloring" employed by the anti-communist fascist elements.

In scheming to persecute people over the issue of expression of condolences while clamouring about "chastisement" on the North, the South Korean puppets revealed in full nakedness their mean nature as hooligans against dialogue and reunification who have not the least intention to improve the North-South relations.

The nation will never pardon the anti-ethical, anti-national crime of the Kim Yong-sam group and sternly punish them.

Opposition Leader's Offer To Visit North Noted

SK0404053895 Pyongyang KCNA in English 0446 GMT 4 Apr 95

["Politician Should Be Possessed of Faith and Bold Decision"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, April 4 (KCNA)—Yi Ki-taek, president of the Democratic Party of South Korea, told a recent forum that the present "government's pursuance of the North policy in an unprincipled manner still further worsened the relations between the North and South than before", adding that "efforts should be made to bring about a new epoch to the South-North relations this year, the 50th anniversary of the liberation from the Japanese colonial rule." And he reiterated "his willingness to visit the North for the discussions on ways to put the inter-Korean relations on the mend."

NODONG SINMUN today views his reiteration of the willingness to visit the North and discuss the "ways to put the inter-Korean relations on the mend" as a bold decision befitting a politician.

The news analyst goes on:

We welcome his willingness, considering that if he comes to Pyongyang, we will be able to jointly find a way of improving North-South relations.

Each time President Yi expressed his willingness to visit Pyongyang, we okayed it. But, his Pyongyang visit has not yet been made. It is, of course, mainly attributable to the heinous schemings of the present ruling group that is maintaining such anti-reunification laws as the "National Security Law" and seeking North-South confrontation among other things. The reunification of the country is a patriotic cause that can be accomplished only through a fight against the anti-national, partitionist group opposed to it. As the saying goes, an ounce of practice is worth a pound of theory. It is only too natural for the South Korean politicians to wish to discuss cardinal matters on national reunification with their counterparts in the North. The realisation of their wishes needs faith and bold decision to pull through any difficulties.

We hold that negotiations should certainly be held between the politicians in the North and South so that they can contribute to the solution to the national reunification question related to the destiny of the nation.

If the South Korean ruling group is the last concerned about the sufferings of the fellow countrymen from national division, it must no longer commit anti-reunification crimes such as blocking the discussions between the politicians in the North and South.

Alliance Denounces ROK for Sentencing Student

SK0404044895 Pyongyang KCNA in English 0427 GMT 4 Apr 95

[FBIS Transcribed Text] Pyongyang April 4 (KCNA)—A spokesman for the North side headquarters of the

National Alliance of Youth and Students for the Country's Reunification published a statement on April 3 denouncing the South Korean puppet clique for recently passing the sentence of five-year imprisonment and three-year suspension of qualification on student Yang Tong-hun, chairman of the Kwangju-South Cholla Provincial Federation of General Student Councils and former chairman of the Committee for the Country's Reunification of the South Korean Federation of General Student Councils (Hanchongnyon), on the charge of violation of the "National Security Law" and others.

This came on the threshold of the 3rd-term inauguration of Hanchongnyon. It is a fascist measure to crack down at the beginning on the South Korean students' patriotic struggle for independence, democracy and reunification, which is growing fiercer than before on the occasion of 50th anniversary of the national liberation, the statement said.

Hanchongnyon, the invincible patriotic ranks of the South Korean students, smashed the fierce suppression and various plots last year and is going to proclaim a new-term organisation as a reliable force in struggle this year, it noted, and stressed:

The Kim Yong-sam fascist clique must clearly see that the more recklessly it runs, the earlier it will go to the grave of history.

All the Korean youth and students of the North indignant at the anti-national and anti-ethical crimes of the traitor Kim Yong-sam will deal a sledge-hammer blow to him who committed indelible crimes.

The traitorous Kim Yong-sam clique must clearly see the trend of the time and immediately abolish the "National Security Law," the anachronistic law against reunification, and stop invoking it for suppression of the patriotic youth and students of South Korea at once.

Russian Scholars Depart Pyongyang on 1 Apr

SK0404083095 Pyongyang Korean Central Broadcasting Network in Korean 1300 GMT 1 Apr 95

[FBIS Translated Text] On 1 April, a delegation of the Khabarovsk Branch of the Union of Russian Scholars of Socialist Direction led by Tsaryok, the chairman of the branch, left Pyongyang by train.

The delegation was seen off at the Pyongyang Station by Kim Tuk-su, vice chairman of the Chuche Idea Academy.

Government, PRC Sign Cultural Exchange Plan

SK0404102895 Pyongyang KCNA in English 1009 GMT 4 Apr 95

[FBIS Transcribed Text] Pyongyang, April 4 (KCNA)—A 1995-1996 plan of cultural exchange between the

Governments of the Democratic People's Republic of Korea and the People's Republic of China was signed in Beijing on April 1.

The plan was signed by Vice-chairperson of the Committee for Cultural Relations with Foreign Countries Chon Yon-ok, head of the DPRK Government cultural delegation, and Vice-minister of Culture Liu Deyou, head of the Chinese Government cultural delegation.

KPA Friendship Delegation Departs for PRC

SK0404103795 Pyongyang KCNA in English 1021 GMT 4 Apr 95

[FBIS Transcribed Text] Pyongyang, April 4 (KCNA)—A friendship visiting group of the Korean People's Army [KPA] led by Col. Gen. Kim Chong-kak left here today for China.

It was seen off at the airport by Col. Gen. Chong Chang-yol of the KPA and Liu Jianhua, military attache of the Chinese Embassy here.

Indian Party Official on 'Victory' of Socialism

SK0304213195 Pyongyang KCNA in English 1504 GMT 3 Apr 95

[FBIS Transcribed Text] Pyongyang, April 3 (KCNA)—H.S. Surjeet, general secretary of the Central Committee of the Communist Party of India (Marxist), in an interview with a KCNA correspondent in India, stressed the victory of the socialist idea.

He noted that the Pyongyang declaration "Let us defend and advance the socialist cause" reflecting the desire of communist and workers' parties of the world published three years ago was a common programme of the communist and workers' parties of the world to push forward with renewed vigor the socialist and communist cause, drawing serious lessons from the fact that the Soviet Union collapsed and socialism was frustrated in the East European countries.

The changes on the international stage during the last three years clearly showed the validity of the idea and purpose of the Pyongyang declaration, he said.

Noting that he was deeply impressed by respected Comrade Kim Il-song's teachings on the experience in the building and activity of the Workers' Party of Korea, especially in the struggle to achieve the unity and cohesion of the party ranks, he said that Comrade Kim Il-song was a great teacher and an elder of the international communist movement.

The fact that the Democratic People's Republic of Korea has vigorously accelerated the revolution and construction under the leadership of the supreme leader Comrade Kim Chong-il is clear evidence for the firm inheritance of the revolutionary cause of the great leader Comrade Kim Il-song, he said.

He stressed that as respected Comrade Kim Il-song confidently predicted, the socialist idea has been and will be victorious in the world including Asia, Europe and Latin America.

3 Apr Meeting Marks Guinea's National Day

SK0404043495 Pyongyang KCNA in English 0412
GMT 4 Apr 95

[FBIS Transcribed Text] Pyongyang, April 4 (KCNA)—A meeting was held in Pyongyang on April 3 under the sponsorship of the Korean Committee for Cultural Relations With Foreign Countries and the Korea-Guinea Friendship Association to mark the 11th anniversary of the proclamation of the 2nd Republic of Guinea.

Present there were the chairman of the Korea-Guinea Friendship Association, officials concerned and working people in the city.

A message of greetings to the president of the Republic of Guinea was adopted after a speech was made at the meeting.

Foreign Leaders Express Support in Envoy Talks

SK0404103695 Pyongyang KCNA in English 1020
GMT 4 Apr 95

[FBIS Transcribed Text] Pyongyang, April 4 (KCNA)—Foreign state leaders, when they received the DPRK ambassadors to their countries recently, expressed support for the just cause of the Korean people.

Zoran Lilic, president of the Federal Republic of Yugoslavia, said that the great leader Comrade Kim Chong-il has wisely led the Korean people along the road pioneered by the great leader President Kim Il-song. He wished the Korean people a great advance on this road and a new success in the struggle to achieve the cause of national reunification.

Noting that the Korean people have the strength, wisdom and conviction enough to defeat the pressure of big powers, he stressed that Yugoslavia and Korea will invariably remain friends.

Zine El Abidine Ben Ali, president of the Republic of Tunisia, said that the Korean people rallied in one mind have made great achievements in the building of a new society and the implementation of the independent foreign policy under the wise leadership of the dear leader His Excellency Kim Chong-il and he warmly congratulated them on their achievements.

He hoped that the Korean people will reunify the divided country peacefully in accordance with the confederal formula.

Man Mohan Akhikari, prime minister of Nepal and president of the Central Committee of the Nepal Communist Party (United Marxism-Leninism), expressed the belief that the Korean people guided by the great leader

Comrade Kim Chong-il will continue to advance the socialist cause, overcoming their difficulties.

NDFSK Mission Member Praises Kim Chong-il

SK0404103595 Pyongyang KCNA in English 1015
GMT 4 Apr 95

["Image of Great Man as Letters Say"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, April 4 (KCNA)—Han Min-chol, a member of the Pyongyang mission of the National Democratic Front of South Korea (NDFSK), published an article titled "Image of a Great Man as Letters Say" lauding the great leader Comrade Kim Chong-il's deep human love and benevolent politics, according to Seoul-based radio Voice of National Salvation.

He said in the article:

I, aware of the socio-political situation of the North with the people put in main consideration under the benevolent politics, have been deeply moved by the fact that ordinary people of various social strata freely send letters to the supreme leader of the country and, moreover, the leader sends autograph letters to all of them in reply to their letters, sharing intentions and feelings with them. This is really an impressive thing.

Many letters to the great leader Kim Chong-il show well the people's full support for and trust in him because they reflect popular feelings which nothing can block. He is incarnation of human love who personally sends autograph letters of love and trust to people in reply to their letters.

His autograph letters are usually short, made up of only several lines. But they contain profound philosophical contents of pure and warm love for and indiscriminate, invariable trust in the people about which several hundred volumes of books are not enough to tell.

He is a very humble and benevolent great man who is the first to extend greetings to the people on the new year and, after receiving letters from people, determines to remain unfailingly faithful to the Workers' Party and the revolutionary cause with redoubled efforts, moving up to their expectation.

Reverence of the South Korean people who are looking up to him as the saviour of their destiny and the sun of reunification is ever growing throughout South Korea. But they cannot send letters to him expressing thanks and best wishes for his long life. The day of reunification will surely come when all the people of South Korea will send letters to him.

* Kim Chong-il Orders Construction Projects

952C0079B Pyongyang NODONG SINMUN in Korean
4 Jan 95 p 2

[By reporter Kim Chong-ung: "Let's Do Something Good for the People, He Says"]

[FBIS Translated Text] At this moment when the nation, led by the great leader, is moving forward dynamically toward new victories, we are standing at an end of the Chongnyu Bridge across from Moranbong's Chongnyu Wall. Unfolding before us are compelling scenes seething with the struggle to carry out the order of the supreme commander concerning the Chongnyu Bridge (Phase 2) and Kumnung No. 2 Tunnel projects. The construction of the island [of Nungnado] main bridge and that of piers for an auxiliary bridge have been completed, and we can already almost visualize the new rainbow-type bridge before us. The hearts of all servicemen builders and supporters here are filled to the brim with pride knowing that the great leader Kim Chong-il personally came here to initiate the two projects, and that even at this moment he keeps himself posted on the progress of the projects.

A day in October last year:

That was the time when numerous issues cropped up to require his attention for new progress in our revolution. The great leader Comrade Kim Chong-il came all the way here to the island of Nungnado to see Chongnyu Bridge on the completion of its Phase-1 project. The great leader Kim Chong-il took a good look at the bridge that harmonized with Moranbong, the 1 May Stadium, and the Taedong River, expressing his satisfaction. It is a beautiful bridge with its own characteristics, yet showing a modern sense of beauty, said the great leader Comrade Kim Chong-il. He went on to commend the construction workers highly for their heroic performances in completing the Phase-1 project on their own in a short period of time. He then briefly walked around inspecting the area along the Taedong River, the area filled with memories—touching indeed—of the painstaking, devoted efforts of the fatherly leader. Whenever he visited the area, the fatherly leader spoke of his plans to build more bridges and roads to link East Pyongyang and West Pyongyang directly, making the point that with the existing bridges alone it is impossible to solve the traffic problems of Pyongyang citizens properly.

The great leader Comrade Kim Chong-il, recalling the lofty intent and plans of the fatherly leader, told the functionaries that when the Phase-2 construction is completed and a direct link with West Pyongyang materializes, Chongnyu Bridge will play a great role in solving traffic problems for Pyongyang citizens. To functionaries who were visualizing in their minds the image of a more modernized new Pyongyang, the great leader Comrade Kim Chong-il said that the next year marks the 50th anniversary of the founding of the party, and accordingly, something good should be done for the people. He then proposed the construction of a new Chongnyu Bridge (Phase 2) and Kumnung No. 2 Tunnel.

His intent to do something good for the people marking the party's 50th birthday was of lofty significance, and it sank deep into the hearts of the functionaries.

He always has said, emphatically, that we should pursue unceasingly a government of love and benevolence for

the people, by building up the party founded by the great leader, as Comrade Kim Il-song's party forever and motherly party.

On the previous day, 28 October, our great leader sent a letter of thanks to all the people for their expression of deep condolences on the death of the fatherly leader, noting that our people are an admirable people indeed. And for his part, he again gave the assurances that in the future, too, he would cherish the people's absolute trust and expectations and devote everything in his power to the service for the people. Indeed, always on his mind are our people for whose interests the fatherly leader had labored so much.

The great leader Comrade Kim Chong-il went on to say on that day that construction workers should turn their deep sorrow at the loss of the fatherly leader into strength and courage to render distinguished labor service. He then told this story: Some years ago, when the 1 May Stadium was under construction on the island of Nungnado, builders working on roof arches were assembling those arches one by one, at the rate of one each night to the world's amazement. Every morning, citizens in the capital city were inspired tremendously at the magnificent sight of the new arch that had just emerged.

The great leader Comrade Kim Chong-il seemed to recall those days with deep emotion. He then said to functionaries that if we sped up the construction of Chongnyu Bridge (Phase 2) and Kumnung No. 2 Tunnel, it would be a great inspiration to the people. Functionaries were moved even more deeply as the great leader Kim Chong-il moved on to the subject of fixing up Tangun Tomb.

The great leader Comrade Kim Chong-il had inspected Tangun Tomb earlier on that day before coming here.

Comrade Kim Chong-il, the great leader of our party and people, upholding the lofty will of the respected and beloved leader who loved the country and the people, had mounted the bold, daring operation to build Tangun Tomb as a monument of our times in a short period of time, glorifying its reconstruction with ceremonies of a national festival.

Thus fulfilling the teachings left by the fatherly leader at the highest possible levels one by one, he was providing the people with a greater happiness in life.

With the intent to give the people as many good things as possible so as to fulfill the lofty will of the fatherly leader, the great leader Comrade Kim Chong-il issued the order of the day of the supreme commander of the Korean People's Army [KPA] on 9 November last year.

In that order, the great leader Comrade Kim Chong-il pointed out as follows:

"For our party, to realize as soon as possible the great leader's plan to build Pyongyang into a grand capital city is an important, demanding work in fulfilling the intent of the fatherly leader to give our people a more affluent and civilized life."

Ordering that the new projects be completed by the 50th anniversary of the founding of the Workers Party of Korea, 10 October 1995, and that top priority be given to guaranteeing the required equipment and materials, the great leader Comrade Kim Chong-il expressed his belief that servicemen builders will without fail carry through the lofty will of the late great leader and the intent of the party to turn the revolutionary capital city of Pyongyang into a people's paradise that is more magnificent and more gorgeous.

The KPA supreme commander gave the order on building Chongnyu Bridge (Phase 2) and Kumnung No. 2 Tunnel in Pyongyang City!

It was received wholeheartedly indeed by all the people as the symbol of love showing the immutable will and noble features of the great leader Comrade Kim Chong-il, who, with the one mind of loyalty and piety, is fulfilling the plan of the fatherly leader to provide our people with better and more civilized living conditions.

Servicemen builders and supporters, receiving the supreme commander's order with deep emotions and excitement, rose up like a mountain, full of confidence and optimism, bearing the slogan "Once the party decides it, we will do it" deep in their hearts.

Despite his busy schedule at the helm of the effort to fulfill the teachings of the late fatherly leader and lead the entire party and nation courageously toward the attainment of the cause of the *chuche* revolution, the great leader Comrade Kim Chong-il paid great solicitude for the new bridge and tunnel projects. Whenever he saw functionaries, the great leader Comrade Kim Chong-il told them that he would go to the construction sites in person and would then expect to hear about whatever problems they have there. He personally kept himself posted on the progress and gave functionaries specific instructions.

It was in early December last year, nearly a month after the start of the projects. The great leader Comrade Kim Chong-il, while being briefed on the progress in the Kumnung No. 2 Tunnel project, came to know about difficulties hampering progress on a section of the underground road. Personally helping functionaries solve problems, he taught them that since there was little time left, they should take steps swiftly and work briskly to finish the underground road construction very quickly.

How could his solicitude over the new bridge and tunnel projects—projects for the people—be so deep that he so eagerly has kept himself posted on the progress, helping remove stumbling blocks in person?

The new bridge and cavern already have begun taking shape, reflecting the lofty intent of the great leader Comrade Kim Chong-il, who is successfully realizing the lifetime desire of the fatherly leader who devoted his entire life to the service of the people.

There was a blasting of 200,000 cubic metres of earth carried out successfully recently. In addition, the projects are being pushed ahead in the best shape. While witnessing these scenes, we have come to believe, even more deeply, that with the great leader Comrade Kim Chong-il—who is infinitely faithful to the thought of "the people are God"—being with us, the great leader lives on in the hearts of the people and in the people's paradise forever as their benevolent father.

Kim Il-song Lauded for Solving Succession

SK0404090095 Pyongyang NODONG SINMUN in Korean 13 Mar 95 p 2

[Article by Sung Chong-pyo "The Immortal Achievement of Brilliantly Solving the Question of Inheriting the Cause of the Revolution"]

[FBIS Translated Text] Today our party and people are waging a vigorous struggle to fulfill the *chuche* socialist cause pioneered by the great leader Comrade Kim Il-song in wholehearted unity around the great leader Comrade Kim Chong-il. Although the great leader who initiated the revolution has passed away, the leader's cause is brilliantly inherited by our party and people. Our revolution is thus firmly carrying on its lineage thanks to the great leader's wise leadership with which he solved with foresight the question of inheriting the cause of the revolution.

The great leader Comrade Kim Il-song gave great heed to the question of inheriting the cause of the revolution for a long time with deep insight into the inevitability of the revolutionary struggle of the working class which continues generation after generation. Here it is of particular significance that he published his work on the inheritance and completion of the cause of socialism.

The great leader's work was an immortal classic work which gave a comprehensive answer to the fundamental question for the inheritance and completion of the cause of socialism, and it is an immortal monumental work from which our party and people must always take guidance in the struggle to win the ultimate victory in the cause of *chuche* under the leadership of the great leader Comrade Kim Chong-il.

Now our people are in boundless adoration and reverence for the great leader who put forth the immortal ideology and theory on the inheritance of the cause of the revolution and devoted all his energy and pains to the realization of it, and are pledging firmly to wage a vigorous struggle upholding the great leader Comrade Kim Chong-il.

The important ideology consistent in his work is that by upholding the great leader Comrade Kim Chong-il and upholding his leadership with loyalty, we must inherit and complete the cause of our-style socialism.

The great leader Comrade Kim Il-song taught: To adhere to the popular masses-centered socialism of our country

and brilliantly fulfill the chuche revolutionary cause, the entire party membership and all the people must uphold the leadership of Comrade Kim Chong-il. Upholding the leadership of Comrade Kim Chong-il well brings forth a firm assurance of inheriting and completing the cause of socialism.

The question of inheriting the cause of the revolution is a fundamental question that arises in carrying out the cause of the revolution and the cause of socialism and communism of the working class. The destiny of the revolution, the destiny of socialism, depends on how this question is solved.

In his work, the great leader gave a proud appraisal of our cause of the revolution which victoriously advances under the wise leadership of the great leader Comrade Kim Chong-il, and gave a clear elucidation of the problems that arise in inheriting and completing the cause of our-style socialism generation to generation. For this reason, the work shines as an immortal militant banner that further developed and enriched the chuche ideology on the inheritance and completion of the cause of the revolution and unfolded a resplendent future for the cause of chuche.

The significance of the work lies in the fact that it, above all, clearly elucidated the inevitability of the cause of the revolution of the working class—the completion of socialism and communism—and provided the noble ideological and theoretical guideline for the solution of the question of inheriting the cause of the revolution.

The cause of independence of the popular masses, the cause of socialism is a long-term cause which is carried out over many generations. For the party and people of the working class to complete the cause of the revolution, they have to solve the question of leadership succession correctly, because the cause of the revolution of the working class is essentially the leader's cause which is pioneered and advanced by the leader, and a cause which is inherited and completed by the successor.

The basis in consummating generation after generation the cause of the leader [suryong] who pioneered the revolution is who should inherit his cause and how, that is to say, the successor problem. Only such a great leader [yongdoja] of the people who is infinitely faithful to the leader [suryong], who pioneered the cause of the revolution, and his cause and who possesses extraordinary wisdom, excellent leadership ability, and noble moral character can become the successor to the leader [suryong].

We should uphold the successor who will inherit the cause of the leader [suryong] who pioneered the road of the revolution for the first time. Herein lies a decisive guarantee for consummating the cause of the revolution. The basic reason for the frustration of socialism in many countries is that they failed to correctly solve the question of succession of the leadership.

With the presentation in the work of the ideology on correctly solving the question of succession of the leadership in conformity with the inevitable demands of the consummation of the cause of the revolution, a clear road which makes it possible to inherit and consummate the cause of socialism generation after generation has opened.

Another significant and vital work is that the work has bestowed upon our people the great national dignity and honor of inheriting and consummating the cause of chuche, upholding the great leader Comrade Kim Chong-il.

The greatest dignity and happiness for the people carrying out the revolution lies in upholding the great leader [yongdoja]. The people who uphold the great leader [yongdoja] are ever-victorious and invincible, but the people who do not do so are destined to ruin.

The question of succession of the leadership has been brilliantly solved in our country as respected and beloved Comrade Kim Chong-il already has wisely led the overall work of the party, the state, and the Army for a long time. This is the great fortune and pride that only our people who are upholding the great leader [yongdoja] can enjoy.

As our people and the revolutionary people of the world unanimously indicate, respected and beloved Comrade Kim Chong-il is the great leader [yongdoja] of the cause of socialism in our times who is equipped with knowledge, military quality, as well as loyalty and filial piety. Respected and beloved Comrade Kim Chong-il is an excellent ideologist and theorist who is glorifying the chuche idea as a great guiding ideology of the era of independence by unfolding ideological and theoretical activities with extraordinary research ability and energy. He is also not only the prominent statesman who is leading the revolution and construction to victory with his extraordinary leadership ability, but is also the great military strategist who has effected a new turn in the building of the revolutionary Armed Forces.

The great leader Comrade Kim Chong-il is equipped at the highest level with all qualification and features—such as infinite loyalty and devotion to the party, the revolution, the fatherland, and the people and warm love and trust toward revolutionary comrades and the people—that the people's leader [yongdoja] should have.

As our people are upholding the great leader Comrade Kim Chong-il and advancing under his wise leadership they have become a most dignified and happy people who are brilliantly inheriting and consummating the cause of chuche pioneered by the great leader [suryong] generation after generation.

All achievements that the great leader Comrade Kim Chong-il has registered in the days of leading our revolution—including his immortal ideological and theoretical achievements in constantly developing and

enriching the *chuche* idea created by the great leader [suryong] in conformity with the demands of the developing revolution, his achievements in deepening single-hearted unity of our revolutionary ranks into invincible one and changing the whole society into a large revolutionary household, his achievements in reforming the economy and culture in conformity with the demands of *chuche* and, thus, opening a great golden age in the revolution and construction, and his achievements in strengthening and developing our revolutionary armed forces into matchless, invincible militant ranks—are indeed numerous.

In the work the great leader [suryong] highly assessed the fact that the great leader Comrade Kim Chong-il has enjoyed infinite respect and love and high dignity from the people because of his leadership ability and features, the loyalty and devotion that he is displaying, and the achievements that he has registered.

Today our people are aware all the more keenly what great happiness it is for our nation to uphold the great leader Comrade Kim Chong-il at the head of the revolution. With absolute reverence for the great leader Comrade Kim Chong-il deep in their hearts, our people are vigorously accelerating the struggle for the inheritance and completion of the cause of *chuche*.

The significance and vitality of the work also lies in the fact that by clearly elucidating the methods for inheriting and completing the cause of *chuche*, the work further strengthened the wholehearted unity of the revolutionary ranks and made our people actively launch themselves into the struggle for the inheritance and completion of the cause of our-style socialism.

The work emphasized that in order to brilliantly inherit and complete the cause of *chuche*, we must further strengthen the wholehearted unity of our revolutionary rank centered around the great leader Comrade Kim Chong-il.

Wholehearted unity is of primary importance in carrying out the revolution, and a source of victory. The firm assurance of the inheritance and completion of the cause of *chuche* lies in strengthening in every way the wholehearted unity of the revolutionary ranks centered around the great leader [widaehan yongdoja].

With the progress in the revolution and construction in our country today, our wholehearted unity centered around the great leader Comrade Kim Chong-il is further strengthened on a new higher plane. The proud reality at present in which our people are waging a vigorous struggle to make our country and our fatherland stronger and prosperous upholding the great leader's behest and in wholehearted unity around the respected and beloved Comrade Kim Chong-il powerfully proves the justness of the ideology set forth in the work and the great vitality the work is displaying.

Truly, the great leader's work is a militant banner which gave great confidence and optimism and assurance of a

bright future to our people who are struggling for the inheritance and completion of the cause of socialism.

That the great leader comprehensively summed up the ideology and theory on the inheritance and completion of the cause of the revolution is a great historic achievement he made for the development of the revolutionary theory of the working class and for carrying out the cause of socialism, and this is the special favor and fortune given to our party and people that are inheriting and completing the *chuche* revolutionary cause.

There has not been anyone in history but the great leader—the peerless great man and outstanding leader—who devoted such great energy, pains, and efforts to the inheritance and completion of the cause of the revolution and published such a historic work which will remain immortal forever.

That the great leader brilliantly solved the leadership succession issue for the fulfillment of the *chuche* revolutionary cause represents the greatest achievement he made for the times, the revolution, the fatherland, and the people. Although the great leader parted from us, the immortal achievement the great leader made shines all the better in our people's hearts with the victorious advance of the cause of *chuche*.

Today our party and people have a heavy but honorable task to brilliantly complete the cause of our-style socialism upholding the fatherly leader's behest and in wholehearted unity around the great leader Comrade Kim Chong-il.

To fulfill the *chuche* revolutionary cause generation after generation upholding the great leader Comrade Kim Chong-il is the great leader's earnest behest and our people's motto of life and struggle and revolutionary banner which our people must embody bearing it deep in their hearts.

All the party members and working people should arm themselves more firmly with the ideology and theory which the great leader set forth in his work and uphold the ideology and leadership of the great leader Comrade Kim Chong-il with loyalty so that they can fulfill the *chuche* revolutionary cause initiated in the Paektu forest.

Reminiscences of Kim Il-song Disseminated Abroad

SK0404102795 Pyongyang KCNA in English 1008 GMT 4 Apr 95

[FBIS Transcribed Text] Pyongyang, April 4 (KCNA)—The reminiscences of the great leader President Kim Il-song, "With the Century", has been studied and disseminated in different countries. Seminars on the reminiscences were held at the secretariat of state of the agricultural hydraulics of the Frelimo Party, the Society for the Study of the *Chuche* Idea of Guinean Youth and Students, the Group for the Study of the *Chuche* Idea of

the Dar-es-Salaam Teachers' Training College of Tanzania and the Togolese Memorial Fellowship Society for President Kim Il-song.

It was stressed at the seminars that the reminiscences of President Kim Il-song was a valuable must book for all the revolutionaries of the world, the wealth of humankind and the life textbook elucidating the road of the world people.

President Kim Il-song will always remain in the hearts of the world people, they said.

Reading sessions on the reminiscences were held at the Zimbabwean Youth Centre for the Study of Kimilsongism, the Dar-es-Salaam, Tanzania, Group for the Study of the Chuche Idea, the Literati and Artiste branch of the Ghanaian National Institute of the Chuche Idea, and cultural centres in Cairo and Dar-es-Salaam.

Pak Song-chol at Mangyongdae Games Opening

SK0404044095 *Pyongyang KCNA in English* 0416
GMT 4 Apr 95

[FBIS Transcribed Text] Pyongyang, April 4 (KCNA)—The "Mangyongdae Prize" games began on the birth anniversary of the great leader President Kim Il-song.

The games held every year on the birthday of President Kim Il-song involve over 60 kinds of events including field and track, football, basketball, volleyball, wrestling, boxing, gymnastics, shooting and swimming.

The opening ceremony took place at the Kim Il-song Stadium on April 3.

Present there were Pak Song-chol, member of the Political Bureau of the Central Committee of the Workers' Party of Korea and vice-president, Kim Chung-nin, secretary of the WPK Central Committee, officials concerned, working people, sportsmen and youth and students in the city.

Pak Myong-chol, chairman of the State Physical Culture and Sports Commission, addressed the ceremony.

Execution of Party's Economic Strategy Urged

SK0404112595 *Pyongyang MINJU CHOSON in Korean* 14 Mar 95 p 1

[Editorial: "Let State Economic Organization Functionaries More Meticulously Organize the Economic Organization Work To Implement the Party's Economic Strategy"]

[FBIS Translated Text] All working people throughout the country are now vigorously carrying out the struggle to implement our party's revolutionary economic strategy by uniting as one around the great leader [yongdoja] Comrade Kim Chong-il. In the course of constantly effecting an upsurge in the socialist economic construction by accelerating today's march to the victory, the

important task assigned to state economic organization functionaries is to more meticulously organize the economic organization work.

The great leader [yongdoja] Comrade Kim Chong-il has indicated: "Administrative and economic functionaries can more rapidly advance production and construction if they organize the economic organization work with the upsurged zeal of the producer masses."

The economic organizational work should be organized in a way that the producer masses can outstandingly carry out the economic tasks. Also, this is the work that enables the producer masses to display their upsurged revolutionary zeal in gaining practical achievement in production by fully guaranteeing the necessary economic and technological conditions. We can fully mobilize and utilize the potential for production only if we organize the economic organizational work according to the demands of the Taean work system. Also, we can further increase production with the existing labor, materials, and facilities.

For state economic organization functionaries to organize the economic organizational work becomes an important guarantee to gain the brilliant achievement in implementing the party's revolutionary economic strategy.

Our party's revolutionary economic strategy is the most fair economic construction policy presented based on the actual situation of our country's national economic development and the inevitable demands of the socialist economic development, as well as on the scientific insight into the changed situations at home and abroad. The implementation of the party's revolutionary economic strategy—which attaches great importance on further strengthening the might of the country's self-reliant national economy, as well as to highly displaying the superiority of socialism—depend greatly on the role of state economic organization functionaries.

State economic organization functionaries are organizers and executors for the implementation of the party's economic policy. Whether or not we successfully carry out the economic work as intended by the party is importantly related to whether or not state economic organization functionaries properly organize the economic organizational work. Because the party's policy-oriented intent can be achieved by state economic organization functionaries' activities, they should properly organize the economic organizational work. Then, they can actively push ahead with the economic work by fully mobilizing and utilizing various reserves and potentials, rightly organizing and mobilizing the masses' creativeness. Furthermore, the tasks we should carry out this year in the economic construction area are very vast. This can even be carried out under the difficult situations caused by the anti-socialist and anti-Republic plots of the imperialists and reactionaries.

The difficult and vast tasks assigned to us in implementing the party's revolutionary economic strategy

should be carried out with our own facilities, materials, and technology. Also, we should effectively utilize them to the maximum by strengthening relations between sectors and by fully mobilizing potential for production. Apart from the economic organizational work, we cannot satisfactorily achieve these tasks. Only when state economic organization functionaries—who are working in all areas of the socialist economic construction—satisfactorily play their role by organizing the economic organizational work from the standpoint of assuming the responsibility for the economic work in their own sectors and units—while cherishing a high sense of awareness in their hearts that they are the commanding staffs who have taken the lead in the economic construction—can they effect a new upsurge in the socialist economic construction, as well as successfully implement the party's revolutionary economic strategy.

It is important for all state economic organization functionaries to properly organize, with a firm conviction, the economic organizational work to implement the party's economic strategy.

Conviction in victory and optimism are the noble ethos functionaries, commanding staffs of the revolution, should cherish. Functionaries can bravely overcome difficulties and obstacles they are facing only if they have conviction in victory and optimism. Also, they can actively carry out the economic organizational work.

Under the wise leadership of the great [widaehan] Comrade Kim Chong-il, our people are now vigorously moving forward by smashing imperialists' and reactionaries' challenges at every step, thus resolutely safeguarding and adhering to the socialism of our own style and demonstrating our fatherland's dignity and honor to the world. The more they face the strained situation and the stern trials, the more they will firmly unite around the party and vigorously move forward. Also, they are glorifying the history of the fatherland as a heroic epic by successively building a great number of grand monumental creations. This is a clear demonstration of the invincibility of the socialism of our own style.

All state economic organization functionaries should clearly see the great might of ours and the grand reality from the viewpoint of the chuche revolution and more vigorously fight on with their faith in a victory and their strong spirit of invincibility. In particular, state economic organization functionaries should contribute all their energy and wisdom to carry out the rewarding work to implement the party's economic strategy, cherishing an iron-like faith that there is nothing that cannot be done in this world as long as the great leader [yongdoja] Comrade Kim Chong-il—who resolutely safeguards and adheres to the socialist cause, victoriously consummating it—exists. As a result, they should surely carry out the economic tasks assigned to their own sectors and units.

For state economic organization workers to highly display the revolutionary spirit of self-reliance and fortitude

is also important in organizing the economic organization work to implement the party's economic strategy.

The revolutionary spirit of self-reliance and fortitude is the revolutionary struggling ethos our functionaries should cherish. Only when state economic organization functionaries have a strong spirit to achieve the assigned tasks with their own might can they properly carry out the economic organization work to normalize the production at higher level, overcoming difficult obstacles no matter what they may be.

We cannot successfully carry out the assigned economic tasks timely by waiting for a period in which favorable conditions are guaranteed. Only when we produce what we do not have; when we find out what we need; and when we properly organize the economic organization work to further increase production and to carry out constructions with existing labor, facilities, and materials can we implement the economic tasks assigned to us on time. Also, we can positively concentrate efforts on implementing the party's economic strategy.

All officials of state economic agencies must scrupulously carry out economic organization work with the methods the commanders of anti-Japanese guerrilla units employed when solving all difficult and complicated problems through positive organization work and skillful leadership in operations. Officials of state economic agencies must persistently and positively carry out economic organization work to solve all problems in economic work in a revolutionary manner with a firm determination to carry out economic tasks with their own strength even if the higher echelons do not supply the necessities, although it would be better if the higher echelons did supply them. In this way, they must provide conditions in a timely manner to ensure that workers will fully demonstrate their revolutionary enthusiasm and continuously and vigorously accelerate production and construction.

Another important thing that officials of state economic agencies should do when they carry out economic organization work to implement the party's economic strategy is to highly display the trait of going among the masses and carrying out economic organization work by relying on their creativity and wisdom.

For officials to go among the masses and carry out economic organization work by relying on their creativity and wisdom is an important requirement of the Taean work system. Only when officials go deeply among the masses, can they correctly and in a timely manner perceive problems in implementing the party's economic strategy and map out correct measures to solve those problems.

Officials of state economic agencies must make it a rule to go among the masses. Officials must go into real situations with clear goals and plans, positively mobilize workers to the task of implementing the party's economic policies by conducting diverse political work,

always see, analyze, and judge real situations from the party's perspectives, and thus, make economic organization work the process of implementing the party's economic strategy.

Another important thing officials of state economic agencies should do when they carry out economic organization work to implement the party's economic strategy is to plan the work in detail and carry it out scrupulously.

To implement the party's economic strategy, we must more reasonably improve the structure of the branches of the national economy and further strengthen ties among sectors and units of the people's economy in terms of production. In this process, various complex circumstances are created. Therefore, if we do not more carefully and scientifically carry out economic organization work, we cannot thoroughly implement the party's economic strategy.

Officials of state economic agencies must well calculate specific real situations, labor conditions, materials, raw materials, funds, and all other factors of their sectors and units, find out correct ways to implement the party's economic strategy, provide good conditions for production, and map out scrupulous battle plans. They must also firmly control overall management activities and skillfully coordinate production swiftly depending on the changing circumstances.

Our tasks are massive. However, there is nothing we cannot do as long as there is the tested leadership of great Comrade Kim Chong-il, as long as there are the revolutionary people who have a firm determination to do what the party decides, and as long as there is the powerful basis for the self-reliant national economy.

All officials of state economic agencies, with optimism and confidence in the victory of the socialist cause, must more scrupulously carry out economic organization work for implementing the party's revolutionary economic strategy and, thus, score new upsurges in socialist economic construction and make our country and our fatherland more prosperous.

Port Facilities in Najin Economic Zone Described *SK0404102695 Pyongyang KCNA in English 1004 GMT 4 Apr 95*

[FBIS Transcribed Text] Pyongyang, April 4 (KCNA)—Najin port is in the north of the eastern coast of Korea.

It is situated in the Najin Bay and surrounded by a peninsula, so it is naturally protected from high waves.

Affected by a warm current, the water around the port does not freeze even in winter. The difference between the rise and fall of the tide is 20 to 30 centimetres.

The distance of pilotage is two miles and that between the temporary mooring site and the harbour is a mile.

The port consists of three jetties, ten quays extending 2,515 metres and the 640-metre-long embankment.

A 20,000-ton ship can be tied up alongside the reinforced concrete quay.

The annual freight tonnage of the port is three million tons.

The port is being expanded as Najin-Sonbong city is turning into a free economic and trade zone.

A fertilizer transit station has already been built on wharf No. 1.

It is planned that loading and unloading facilities and storages will be reconstructed or built on the existing wharfs and a new wharf extending 1,000 metres and stores covering an area of 32,300 square metres be built so that the freight tonnage can be more than ten million tons by 1997.

The next five years will see the construction of a 3,500-metre-long quay for 20,000 to 200,000 ton ships and stores covering an area of 500,000 square metres. Then the annual freight turnover of the port will be 30 million tons. Meanwhile, a modern container terminal and a coal wharf that can accept a 200,000-ton ship will be built.

The long-range programme is that wharfs will be built in keeping with the increase in transit cargo, so that the annual capacity of the port will be 40 million tons and the port will be able to accept at a time 36 ships the cargo tonnage of which is 20,000 to 200,000 tons each.

Editorial Urges People To Study, Follow Chuche *SK0304131495 Pyongyang NODONG SINMUN in Korean 8 Mar 95 p 1*

[Editorial: "Let Us Further Thoroughly Arm Ourselves With the Great Chuche Idea"]

[FBIS Translated Text] The chuche idea is a lofty ideological and spiritual food for the communist revolutionists of our times.

The great leader [yongdoja] Comrade Kim Chong-il has taught: All cadres, party members, and working people should steadily study the theories of the chuche idea and make the idea their flesh and bones.

Loyalty toward the leader [suryong] is invariably shown in the absolute faith and thorough implementation of the leader's [suryong] revolutionary ideology before and after the passing away of the leader [suryong]. Right after the passing of the fatherly leader, the great leader [yongdoja] Comrade Kim Chong-il presented the revolutionary slogan "Let us further thoroughly arm ourselves with the revolutionary ideology of the great leader Comrade Kim Il-song!" as the guidance for our people to walk on the single road of loyalty to the end. This revolutionary slogan takes the great leader's [suryong] revolutionary ideology—the chuche idea—as the eternal

life-giving water, and reflects the lofty demand to make the work to arm the people with the chuche idea a hundred, and a thousand times stronger. The ideological and spiritual life of our people should be a course to live and struggle for the slogan.

Today, more thoroughly arming themselves with the chuche idea is for the party members and working people to fulfill their duty as the leader's [suryong] fighters and disciples. It is also a very important work to make our country and our fatherland more prosperous.

Every one of our party members and working people is the fighter and disciple who has grown up in the bosom of the great leader Comrade Kim Il-song and enjoyed a lofty sociopolitical life. The first mission of the leader's [suryong] fighters and disciples is to arm themselves with the leader's [suryong] ideology. Those who have learned by heart and implemented with the whole body the chuche philosophical view of the world and profound revolutionary theories founded by the great leader [suryong] and deepened and developed by the respected and beloved Comrade Kim Chong-il, and those who adhere to the chuche faith to the end even if the world changes 10 or 100 times, are genuine revolutionists who live in eternal blood-tie relations with the leader [suryong]. Any rubbish ideology that conflicts with the chuche idea cannot penetrate these people.

Today, the political and ideological might of our revolutionary ranks has become stronger than ever. At a time when the maneuvers of the imperialists and reactionaries are becoming more apparent and all sorts of reactionary ideological trends are prevailing, our people's single-hearted unity is being strengthened like an iron wall because only one ideology fills the entire party membership, all the people, and the entire Army. The chuche idea was, is, and forever will be the unitary ideological base that firmly guarantees the single-hearted unity of our revolutionary ranks. The strength of the people armed with the chuche idea is stronger than atomic bombs. When all party members and working people are thoroughly armed with the chuche idea, our revolutionary ranks will be strengthened into an indomitable fortress that cannot be touched by any power, and the traditional unity of our revolution will continue stoutly for generations.

The chuche idea is the life line of the our-own-style socialism and the banner of struggle that brightly illuminates the road to the prosperity and development of our country, our fatherland. In the chuche idea, strategic and tactical guiding principles to which we must firmly adhere to during the entire historic period of the socialist and communist construction are being extensively elucidated. In addition, the tasks in the political, economic, cultural, military, and all other fields, and ways to implement them are clearly illuminated in the chuche idea.

When we know the principle of the chuche idea and struggle in conformity with the chuche theory and

method, we will be ever-victorious. This is a precious truth that has been proven in our people's history of revolutionary struggle. When our people firmly arm themselves with the chuche idea, new upsurges will be effected in the socialist construction, and our country and our fatherland will shed their light as the chuche Korea that is called together with the esteemed name of the great leader [suryong] and as a socialist power that is independent in politics, self-sustaining in the economy, and self-reliant in defense.

The thing on which we must concentrate our efforts above all in the work of being firmly armed with the chuche idea is deeply studying the greatness of Comrade Kim Il-song, an originator of the chuche idea and distinguished ideological theoretician, and the height of the leader's [suryong] ideological and theoretical achievement.

A peerless man is indeed a great philosopher and a great ideological theoretician. The greatness of a great man depends on his philosophical height.

Reflecting the demand of the era and the aspiration of the popular masses, the great leader Comrade Kim Il-song originated the immortal chuche idea and made it shed its light as the guiding idea of our era. By doing so, he came to have the absolute authority as the most prominent figure and most extraordinary philosopher of the 20th century. Through the teachings of the chuche idea, we should be deeply aware of the greatness of the fatherly leader [suryong] who made a great contribution to the development of the history of the human race.

Party members and working people should never forget the historic environment in which the great leader [suryong] originated the chuche idea and how arduous the struggle was in which the chuche principles and theories were deepened. They should also deeply master his feature as a great philosopher and a great ideological theoretician that was displayed in the course of carrying through the struggle. Even when we learn a single ideological theory and a single proposition expounded in the great leader's [suryong] works, we should deeply inscribe in our minds the greatest efforts and energies paid by the fatherly leader [suryong]. Thereby, for generations, we should add luster to the glory of living in the fatherland from which the great guiding idea representing the communist future and our era has originated.

The chuche idea is a revolutionary theory that is based on the new man-centered philosophical principle. The principle of the chuche idea and the revolutionary theories that have been elucidated by it contain contents that are endlessly profound. Studying the principle of the chuche idea always occupies an important place in being firmly armed with the chuche idea.

All of us, wherever we work and whatever we do, must clearly acquaint ourselves with the revolutionary principles, elucidated by the chuche idea, and the fundamental problems of our party's policy. In hearty response to the

slogan "Let us, the entire party, study!" all officials, party members, and workers must profoundly study the chuche-oriented philosophical world view, the principles of social history, the guiding principles of the chuche idea, theories on modeling the entire society after the chuche idea, theories on three revolutions, and other revolutionary theories until they completely understand the essence and justness of those theories. In particular, they must more profoundly study the chuche-oriented socialist theories, which provided socialism with a new scientific basis. Party organizations must carry out education in the principles of the chuche idea in various ways depending on the readiness of party members and workers and their characters and in plain language. Pertinent sectors must provide efficient educational materials that can contribute to the study of the chuche idea.

It is very important to study the chuche idea in relation to practical revolution.

All party members and workers must have a full understanding of the truthfulness and might of the chuche idea through the superiority and boundless vitality of popular masses-centered socialism of our own style, which brilliantly embodies the requirements of the chuche idea, and through great victories and achievements in revolution and construction. They must also profoundly know ways to carry out their assigned revolutionary tasks as demanded by the chuche idea.

By seeing the grand reality of our era which is vigorously advancing under the anti-imperialist banner of independence, we must have a full understanding of the great tractive force of the chuche idea and a high political insight to correctly see and judge with a chuche-oriented sense of appreciation all events taking place in today's world.

Today, the chuche idea, created by the great leader Comrade Kim Il-song, casts its ray as the great guiding idea of our era thanks to respected and beloved Comrade Kim Chong-il. The greatness of the chuche idea is the greatness of the fatherly leader, the creator of the chuche idea, and, at the same time, the greatness of respected and beloved Kim Chong-il. The achievements of the great leader [yongdoja] Comrade Kim Chong-il, who generalized and systematized the principles and theories of the chuche idea and boundlessly developed and enriched the contents of the chuche idea, are beyond description.

With the firm belief that the great leader Comrade Kim Il-song's revolutionary ideas are immediately respected and beloved Comrade Kim Chong-il's ideas and theories, we must make every effort to learn the profound principles and theories of the chuche idea. The party members and workers must continuously and persistently carry out the work of studying profound theories which the great leader [yongdoja] Comrade Kim Chong-il newly elucidated in "Socialism Is a Science" and other immortal classical works. By so doing, they must fill the

entire society with the revolutionary trait of thinking and acting according to the ideas and intentions of the great leader [yongdoja] and boldly advancing after strongly uniting around the leader [yongdoja] with a single belief and a single will.

South Korea

Kim on ROK 'Central Role' in Reactor Project

SK0404081995 Seoul YONHAP in English 0812 GMT
4 Apr 95

[FBIS Transcribed Text] Seoul, April 4 (YONHAP)—South Korean President Kim Yong-sam said Tuesday that his country would by no means back down from its position that South Korean standard light-water nuclear reactors must be the reactors to be provided by the Korean Peninsula Energy Development Organization (KEDO) to North Korea.

He stressed that the position of a finance-providing country must be respected in order for the people of that country accept the project. He added that South Korea would never concede its central role in the project.

Such a position of South Korea must not be viewed from the standpoint of rigidity or moderateness but understood as a matter of principle, the South Korean leader said.

He made the remarks in an address to a group of delegates who will attend a high-level consultative meeting on the reactor project, involving South Korea, the United States and Japan. He met them at a breakfast meeting at Chongwadae [presidential offices].

The three-way meeting is to open in New York Friday.

The South Korean delegation is to be headed by Choe Tong-chin, chief of the office of planning for the light-water reactor project.

Urging the delegates to emphasize the South Korean position in the forthcoming talks, Kim warned that the international light-water reactor supply project will inevitably have to be cancelled if North Korea continues to reject the South Korean standard-model light-water nuclear reactors.

The South Korean delegation will meet with their U.S. and Japanese counterparts, led by U.S. Nuclear Ambassador Robert Gallucci and Japanese Nuclear Ambassador Tetsuya Endo, to coordinate their policies regarding the U.S.-North Korea experts' talks expected to be held by the middle of this month.

Seoul Reportedly Including KEDO in North Talks

SK0404055095 Seoul MUNHWA ILBO in Korean
4 Apr 95 p 2

[FBIS Translated Text] The ROK Government has decided to implement, at a Board of Governors meeting

of the Korean Peninsula Energy Development Organization [KEDO] to be resumed on 7 April in New York, its policy of making KEDO a party to the light-water reactors negotiations with North Korea in place of the United States.

Choe Tong-chin, director of the ROK light-water reactors planning team, will leave the country on 5 April to attend this meeting.

This plan was mapped out in the belief that the on-going North Korea-U.S. negotiations on light-water reactors are in violation of the KEDO founding charter.

An ROK Government official said: "The United States can again attend the North Korea-U.S. experts talks, scheduled for 14 April, because the talks are a continuation of the previous talks in Berlin." He, then, stressed: "The three countries [the ROK, the United States, and Japan] agreed that KEDO should be a chief negotiator after one round of experts talks."

This official said, in particular: "The Japanese Government has been of the position that discussing light-water reactors through direct U.S.-North Korea negotiations is in no way desirable." He went on to say: "The United States should honor the position of the ROK and Japan, which will in reality bear the financial burdens for supplying light-water reactors."

This official also said that at the KEDO Board of Governors meeting, the three countries would map out countermeasures against the possibility that North Korea would oppose KEDO's replacement of the United States at the negotiations. This official went on to say: "Our government is of the position that if no direct negotiations between KEDO and North Korea are held, this would be a clear violation of the KEDO founding charter."

Meanwhile, when asked whether there is any possibility that Russia will do subcontract work in building light-water reactors, U.S. State Department spokeswoman Christine Shelly said: "Russia has signalled that it is interested in supplying light-water reactors to North Korea." In this way, she did not rule out the possibility of Russia doing subcontract work.

Rally Urges North To Accept ROK Reactors

*SK0404061495 Seoul CHUNGANG ILBO in Korean
4 Apr 95 p 2*

[Article by Hong Pyong-ki]

[FBIS Translated Text] The Korea Freedom League held a "citizens rally for the adoption of the ROK-model light-water reactors" at the National Theater in Changchung-tong, Chung-ku, Seoul at 1000 on 4 April. Some 2,000 league members and citizens attended the rally.

The attendees adopted a resolution calling for the selection of the ROK-type light-water reactors for the recent

negotiations on the North Korean nuclear issue, as the type of reactor was agreed in the original agreement.

The resolution stated that "the uncertainty and confusion in the international community recently aroused by the supply of light-water reactors to North Korea is threatening the ROK's survival strategy," and urged that "North Korea should wake up from its dream of isolating the ROK from the international community and modestly accept the ROK-type light-water reactors."

The resolution asserted that "the United States should take the responsibility of making North Korea comply with the Geneva agreement and the ROK Government should adhere to the policy of not paying a penny if the ROK-type light-water reactors are not selected."

Comments on DPRK 'Secret Instruction' Continue

Embassy in U.S. Convenes Meeting

*SK0404065495 Seoul CHOSON ILBO in Korean
4 Apr 95 p 6*

[Report by Kim Chang-kyun from Washington: "Emergency Conference in ROK Embassy on North Korea's Secret Instruction"]

[FBIS Translated Text] The ROK Embassy in Washington called together an emergency meeting chaired by Ambassador Pak Kon-u, to deal with a domestic press report that North Korea had handed down an "instruction" to the North Korean Mission to the United Nations, on 2 April.

Assuming that the report was based on actual North Korean instructions, the embassy officials pondered over why the instruction was leaked to the ROK press, and whether it was "accidental or intentional." The embassy officials judged the likelihood of leakage by "mistake" as being very slim, because of the extremely tight security which surrounds such instructions.

Diplomatic instructions, even of minor importance, are sent through passwords for communications security. Needless to say, instructions on such a sensitive issue as the U.S.-DPRK light-water reactor negotiations mandate thorough security.

Exposure of diplomatic instructions to the other party is like playing poker after revealing one's hand of cards.

Embassy officials made all-out efforts to determine the exact source of the newspaper report, but came up empty-handed. The Washington-based correspondent of the daily newspaper who first reported on the "instruction" is keeping his mouth shut tightly, citing the need to "protect his news source."

The embassy will convey to the U.S. Administration, its basic position of not making a fuss over the issue, since the leaked document is not a diplomatic document between the United States and North Korea, but an

internal instruction of North Korea. The U.S. Government also does not intend to raise the issue with the North Korean side.

The embassy feels that dwelling on this issue may be playing right into the hands of the North, and that the North's intentions will be exposed as time passes.

They also stated that they will be able to solve questions regarding this issue by keeping watch over North Korea's reaction to the public exposure of its "secret instruction" and how the actual moves of the North Korean officials at the mission to the United Nations correspond to the instructions.

DPRK Official: Report Groundless

*SK0404042795 Seoul CHOSON ILBO in Korean
4 Apr 95 p 6*

[By reporter Yun Hui-yong from New York]

[FBIS Translated Text] A high-ranking official of the DPRK mission to the United Nations has claimed that reports that North Korea sent a secret instruction to the New York mission outlining that "the failure to achieve results in the light-water reactor issue negotiations would be more favorable to us (North Korea) and that, if this is the case, North Korea should push ahead for the withdrawal of the U.S. Forces in South Korea and direct negotiations with the United States" are "completely groundless." Sources assume that this North Korean diplomat "leaked" the instruction which is at issue to reporters. This North Korean mission official asked not to be identified. Following is an interview with him.

[CHOSON ILBO] The 2 April edition of a certain ROK newspaper reported that it obtained a secret instruction sent to the North Korean mission to the United Nations from Pyongyang, and revealed its content.

[Official] It is completely groundless. I do not know what confusion it is trying to create. A secret instruction is meant to be conveyed under the tightest secrecy. How could it have been leaked to the outside? If its content is exposed to the outside, how could that be a secret instruction? No employee of the North Korean mission has gone to Washington. How could they have obtained it in Washington? Please report that the North Korean mission said this. Even a small company takes special care about maintaining its security. Nevertheless, how could a secret instruction of a state's representative organ be leaked to the outside?

[CHOSON ILBO] It was reported that you sent the document through a third person.

[Official] I was not the person. I do not know what you are talking about. I do not know what the article said in detail because I did not have the opportunity to read it since yesterday was a holiday. (In the first telephone conversation with him, when I asked him about the content of the report, he "denied" the report as if to say

it was "completely groundless," assuming that he knew the content of the report. However, when I talked to him for the second time, he exhibited a completely different attitude than the first time by saying, "I do not know what article was carried.")

[CHOSON ILBO] In connection with the light-water reactor negotiations, the instruction said to continue adhering to a strong position while bringing out compromises such as the issue of concluding a U.S.-DPRK peace agreement and withdrawing U.S. Forces from South Korea. Your name was discussed in detail. Do you have anything to say about this?

[Official] Was my name noted?

[CHOSON ILBO] Your name was not directly quoted.

[Official] I do not know. I have nothing to say.

[CHOSON ILBO] Is it possible for a Korean residing in America, who has a close relationship with the North Korean mission and who can come and go freely to the mission, to obtain the instruction from an employee of the mission—it does not have to be you—and convey it to the outside?

[Official] I do not know.

Official Says DPRK SPA 'Unlikely' in Apr

*SK0404113295 Seoul KBS-1 Radio Network in Korean
1100 GMT 4 Apr 95*

[FBIS Translated Text] North Korea's Supreme People's Assembly [SPA] is unlikely to be held this month. Since the convocation of the SPA is supposed to be publicly announced at least 15 days prior to its opening, the public notice on the convocation of the SPA should have been made within this week at the latest, said a high-ranking official at the National Unification Board.

The SPA is North Korea's supreme legislative organ responsible for electing the North Korean president. The opening of the assembly is closely linked with Kim Chong-il's ascension to power.

North 'Expediting' Free Trade Zone Construction

*SK0404090695 Seoul YONHAP in English 0818 GMT
4 Apr 95*

[FBIS Transcribed Text] Seoul, April 4 (YONHAP)—North Korea is expediting the construction of roads and communication networks in the Najin-Sonbong free economic and trade zone, an organ for the pro-Pyongyang Korean residents union in Japan reported recently.

The organ, named CHOSON SINBO, said in its latest edition that the construction of a communications network in the free trade zone is now in high gear and that foundation work for the Najin international communications center with a combined floor space of over

10,000 square meters was completed recently, according to NAEWOE Press, the official North Korea watcher here.

To operate the fiber optic cables linking Najin with Hunchun, China, a communications center with a total floor space of over 4,800 square meters is under construction in the Songbong area and a communication station with a total floor space of 1,500 square meters is under construction in Wonjong, according to the newspaper. The project's goal is to launch the cable link by mid-April.

The construction of a 40-kilometer road with 12 meters wide was recently completed between Wonjong and Najin along which much cargo is expected to be transported during the latter half of this year.

Drawing particular attention to the development of the Najin-Songbong free economic and trade zone, CHOSON SINBO said, they are also constructing the Pipa area tourist village, a 490-acre golf course and recreation center with a combined space of 20,000 square meters, for which basic public works are now underway.

In addition, a road is being built, which will lead to Pupo airport which can accommodate large jetliners. The airport will also construct a number of helipads to be used by tourists, the paper added.

DPRK Delegates Seek U.S. Liaison Office Site

SK0404003395 Seoul YONHAP in English 0027 GMT 4 Apr 95

[FBIS Transcribed Text] Washington, April 3 (YONHAP)—A North Korean delegation led by Han Song-yol, minister at the North Korean mission to the United Nations, will visit here Tuesday to look for a building suitable for use as a North Korean liaison office, a diplomatic source said Monday.

The North Korean delegation will consist of staff members from the North Korean mission to the United Nations, according to the source.

While staying here for five days through April 8, the North Korean officials may meet U.S. State Department officials, on private occasions, to exchange opinions on the light-water reactor issue.

Diplomatic sources here expect that progress in the North Korean-U.S. relations will inevitably be linked to North Korea's attitude about South Korean-style light-water reactors.

U.S. Said 'Playing Poker' With Both Koreas

SK0404014695 Seoul THE KOREA TIMES in English 4 Apr 95 p 8

[By economic editor Pak Chang-sok]

[FBIS Transcribed Text] From the look of news reports, trouble seems to be brewing for the Korea-U.S. relationship. Headlines last week mostly about new developments in the relationship between the United States and the two Koreas are the reason for this prognosis.

The Clinton administration is very busy playing poker with both its ally and its enemy on the peninsula following again the double strategy of offering a carrot and carrying a big stick. In the eyes of critics, the Clinton administration seems to be a hawk as far as its long-term friend South Korea is concerned but a dove when it comes to its foe North Korea, with which it fought during the 1950-53 Korean War. The mood is upbeat in the North and downbeat in the South.

The most salient development in the relationship between Washington and Pyongyang was the announcement of the opening of the first transpacific telephone hookup between the U.S. and North Korea on April 8. The formal opening of telephone services between the two states is surely the first tangible fruit of America's Jan. 20 removal of some trade restrictions on North Korea following the denuclearization agreement in Geneva in October in 1994.

As well as being a diplomatic achievement, the start of telephone communications by American Telephone and Telegraph (AT&T) is expected to greatly boost commercial ties between the U.S. and North Korea.

More encouraging news for the North is the American move to accept Pyongyang's request or demand for nuclear reactors that do not come from South Korea. Controversy has heated up over who will build the light-water nuclear reactors in North Korea and the growing moves to accept American-made ones.

The worst news was that some American nuclear plant builders have been lobbying to be the ones to build the reactors, hurting South Korea's efforts to persuade Pyongyang to accept its models. Some American firms have been reportedly providing North Korea with information about alleged technical defects in South Korea's Nos. 3 and 4 reactors in Ulchin, of the type which it is trying to offer to the North.

Such news leaves us dumbfounded. The action flies in the face of common-sense and the long-lived amicable binational relationship. There should be clear principles established about the building of the nuclear reactors in the North. The issue should find a solution in economic logic, not political theory. In this context, the cost would have to be totally borne by the U.S. if American reactors were built. The same principle applies if Korean reactors are accepted.

American enterprises appear elated about entering the world's last untapped market. But their expectations may be no more than sweet illusions. North Korea has no merits other than cheap workers. It has no capital and social infrastructure.

No enterprise can achieve greatness in the absence of capital, social infrastructure, and technology. A string of lessons have been learned from several former socialist countries which had long closed their markets but recently opened them to the capitalist West.

In striking contrast to the olive branch held out toward Pyongyang, the American whipping of the South seems unstoppable, and indeed rather tougher recently.

In time for Korea's application for entry to the Organization for Economic Cooperation and Development (OECD), the American Chamber of Commerce in Korea (AmCham) and the U.S. Trade Representative (USTR) issued substantial statements, 73 and 14 pages each, calling for big speed-ups in market opening and eased restrictions on business here.

The AmCham reported, "Breakthrough changes at a much faster pace will be necessary because the OECD bases membership on performance, not promises." The 1995 National Trade Estimate issued by the USTR puts much blame on what it calls "anticompetitive practices" in Korea, especially in the automobile market and financial services.

More pressure is sensed in the American move to bring to the World Trade Organization (WTO) a dispute over facilitated marketing of imported beef.

The wind will no doubt blow hard on the Korea-U.S. market front as American Congressman Toby Ross, chairman of a subcommittee of the House of Representatives dealing with economic policies and trade, visits early this month.

With the dismantling of the Berlin Wall in 1989 and the implosion of the Soviet Union in 1991, the Cold War era has ended. The world order has changed a lot. The U.S. is not an exception. Korea's trade with the U.S. entered the red a few years ago and the gap is increasingly widening. The U.S. is no longer a trade loser for Korea.

A new global show is unfolding in which all countries are merely in pursuit of economic gains rather than political ideology.

It is stupid to stick too hard to the old tactics of "friend" or "foe." It is very naive to think either bilateral or multilateral relationships simply based on a conventional taxonomy.

Official Denies 'Cool' ROK-U.S. Relations

SK0404030995 Seoul HANGYORE SINMUN in Korean 4 Apr 95 p 4

[By reporter Chong Chong-su from the "Guest Room" column]

[FBIS Translated Text] Chongwadae [presidential offices] was not pleased on 3 April in connection with a recent press report that relations between the ROK and the United States are now cool due to North Korea's

light-water reactors issue, saying: "It is not true. We fear that such a report would fan the expectations of North Korea which is scheming to wrest concessions from the ROK by dealing directly with the United States."

That day, a high-ranking official concerned said: "Under the circumstances in which North Korea is attempting to split the ROK and the United States while refusing ROK-style light-water reactors, the government cannot help but be driven into a very difficult position if the press carry a speculative report saying that if the United States applied pressure on the ROK, the latter's government would eventually succumb to the pressure."

Reaction to U.S. Ambassador Laney's Remarks

Government Expresses 'Regret'

SK0404021895 Seoul TONG-A ILBO in Korean 4 Apr 95 p 2

[FBIS Translated Text] Regarding the report that James Laney, U.S. ambassador to the ROK, visited Kwangju on 2 April, held talks with opposition figures, and criticized the ROK Government's attitude toward negotiations on reactors, it was learned that the government on 3 April conveyed its regret to the U.S. Embassy, and asked for prudence in making remarks.

It was also learned that the government pointed out that under the circumstances in which North Korea is making moves to break the ROK-U.S. cooperative system while refusing to accept ROK-model light-water reactors, remarks made by U.S. officials may have an unexpected impact.

To this, a U.S. Embassy official explained that Ambassador Laney's remarks did not criticize the ROK Government's attitude, but said the gist of his remarks was that "North Korea reportedly has a sense of resistance to the benefits it may receive from the ROK. However, North Korea should have to accept the stern reality that despite its erroneous pride, there is no alternative plan to the ROK-model light-water reactors."

Editorial Questions Intentions

SK0404043295 Seoul HANGUK ILBO in Korean 4 Apr 95 p 3

[Editorial: "Odd Remarks by the U.S. Ambassador"]

[FBIS Translated Text] The ROK Government has maintained a firm principle on the supply of light-water reactors to North Korea. That is, the light-water reactors must be an ROK model, and the ROK should play a central role in their supply. The government's basic policy is that it will in no way be able to provide money if this principle is not observed, and it is this policy that is the essence of the ROK-U.S. cooperation system.

Regrettably, however, an odd phenomenon seems to have emerged in the joint ROK-U.S. front, which appeared unquestionably strong. That is to say that the

United States has recently been trying to soften the hard-line position of the ROK Government and the people on the supply of light-water reactors.

The United States reportedly has also been putting direct and indirect pressure on ROK authorities and embarked on a lobbying campaign. Indications are that the U.S. Government is casually leaking stories to the press to let its opinions be known. Even though the U.S. side has not applied open pressure, the ROK side has commented by saying that it finds the situation perturbing.

Under these circumstances, we cannot help but regard the remarks reportedly made by U.S. Ambassador to the ROK James Laney, to dissident figures in Kwangju on 2 April, as being truly odd.

He expressed his dissatisfaction with the ROK Government's hard-line position by saying: "The [ROK Government] needs to be flexible considering the fact that the North Korean regime led by Kim Chong-il has many internal problems." He also reportedly said: "The United States is in a difficult position because South Korea has consistently assumed a patronizing attitude toward North Korea." He reportedly added: "North Korea is dissatisfied with South Korea's attitude of seemingly providing North Korea favors."

His remarks seem to indicate that, rather than supporting the ROK, he sympathizes with North Korea. His remarks do not coincide with the principles upon which the ROK and the United States are firmly agreed.

Amb. Laney does not seem to have made the remarks inadvertently without thought. We do not think he made the remarks, which contradict the official position of his host country, without prior consultations with his own country. Also, in view of diplomatic common sense in which an ambassador refrains from making remarks or committing acts that may incur the displeasure of his host country, we view Amb. Laney's remarks as being intentional.

There has been reason enough recently to be jittery about the light-water reactors issue even without this recent incident. It is not long ago that North Korea asked for U.S.-designed light-water reactors at talks in Berlin. Does the United States seek to gain profits by taking advantage of North Korea? Of more concern are reports that North Korea may even try to link the light-water reactors issue with the withdrawal of the U.S. Forces from the ROK and the signing of a peace agreement.

Therefore, even though the U.S. Embassy says that the report on Amb. Laney's remarks was a mistaken story, we cannot help but doubt its true intentions.

Remarks Cause 'Suspicion'

SK0404033995 Seoul CHOSON ILBO in Korean 4 Apr 95 p 2

[Article by Political Department reporter Kim Sung-yong: "U.S. Ambassador's Remarks in Kwangju" from the column "Reporter's Memobook"]

[FBIS Translated Text] The 2 April Kwangju visit by U.S. Ambassador to the ROK Laney prompted two different kinds of reactions. His remark "I will come to pay tribute at the Mangwol-tong graveyard whenever possible and participate in the discussion of the Kwangju incident as well" was evaluated as a candid and positive attitude befitting a person who used to be a university president. However, his remarks on the issue of the light-water reactor model, which has emerged as the most sensitive issue in the relations between the ROK and the United States, only gave rise to suspicion.

He said, "North Korea is displeased by the benefactor-like approach of South Korea. Considering that the North Korean regime has many problems, the ROK ought to cope with the issue flexibly."

These remarks were reported as his reminder that the ROK Government is insisting excessively on the ROK-model and is thereby lacking in flexibility. Then the U.S. Embassy clarified: "The focus of the ambassador's remark was on the ROK Government's benefactor-like approach to issues such as providing the North with rice."

However, despite the clarification of his remarks, we are led to suspect that the ambassador's remarks might reflect the continuing difference in views between the ROK and the United States. There have been a series of U.S. press reports on the "difference in views between the ROK and the United States." Moreover, we often witnessed in the Clinton administration's nuclear negotiations with North Korea that the dove's view prevailed at the final stage of the negotiations. Is the voice of the ROK people insisting on the ROK-model based on their "benefactor-like" consciousness? If the view is based on the simple logic that "since we are giving the money, it should be an ROK-model," such criticism is founded. However, we have good reason to insist on the ROK-model light-water reactors, because in the case where models from other countries, such as a U.S. or German model, are adopted, the ROK will have to take great political and military risks. This is the major reason. If models from other countries are adopted, North Korea will block the progress of inter-Korean relations—including the exchange of personnel which would accompany the construction of the light-water reactors, reinforce the survival of its regime, and exercise persistent tactics to alienate South Korea politically and diplomatically. Furthermore, the Geneva agreement has postponed the special inspections, which can verify the North Korean nuclear capability, for more than five years.

The United States has recently informed the ROK of its good military preparations in case of sanctions against the North if North Korea resumes operation of its nuclear facilities, and inquired whether the ROK is prepared for such a development. This inquiry by the United States links the ROK's preparedness in the event of heightening tension, which could come a few weeks

later, with our insistence on the ROK model. The interpretation of this inquiry varies. It could be a simple inquiry or a way to pressure the ROK. Is the U.S. Government aware that the issue of the ROK-model is not less serious than the issue of the Kwangju incident which will bring a determinative impact on the future relations between the ROK and the United States? Ambassador Laney's remarks in Kwangju led us to question this all the more keenly.

U.S. Ambassador Meets With Officials in Taegu

SK0404113995 Seoul YONHAP in English 1053 GMT 4 Apr 95

[FBIS Transcribed Text] Taegu, April 4 (YONHAP)—American Ambassador James Laney visited Taegu Tuesday, conferring with North Kyongsang Governor Sim U-yong and other senior officials here.

At the meeting, Laney and Taegu officials exchanged views on South Korea-U.S. issues and economic exchanges between the cities of Taegu and Atlanta which are in sistership relations.

On the light-water reactor issue, Ambassador Laney simply said, "North Korea should accept South Korean-style reactors as agreed on between the United States and North Korea."

An official who was present at the talks said the U.S. envoy made no further remarks on the controversial issue.

Ambassador Laney, accompanied by Mrs. Laney, stayed at the Haeinsa Temple Monday night and drove to Prince Hotel where he had the luncheon-meeting. He left for Seoul by train at 3 PM Tuesday.

The meeting took place behind the closed doors and the ambassador refused to meet the press apparently because of the stir caused by his remarks made on the light-water reactor issue in Kwangju Sunday.

Scholar on U.S.-Japan Germ Warfare Expert Link

SK0404121895 Seoul YONHAP in English 1126 GMT 4 Apr 95

[FBIS Transcribed Text] Seoul, April 4 (YONHAP)—A top World War II Japanese Army bacteria warfare expert secretly visited South Korea several times during the 1950-53 Korean war under the aegis of the U.S. military, Prof. Kang Chong-ku of Tongkuk University said Tuesday.

Kang said this adds a weight to the suspicion raised by some sectors in the world that the U.S. military might have staged germ warfare against North Korea during the war.

War-time visits to Korea by Siro Ishii, ex-lt. general and commander of the Japanese Army 731st Unit, were

described by a book written by an Australian historian and an official report by an international fact-finding team, he said.

The 731st Unit was notorious for perpetrating bacteria warfare and germ tests on living human bodies in Manchuria, northeastern China, during World War II.

According to Kang, Australian historian Gavin McCormack claimed in his book, "The Cold War and Hot War," that Ishii secretly visited South Korea toward the close of 1951.

Though it cannot be directly proven, the author said, there is the strong likeliness of the United States being guilty in the suspicion that it executed bacteria warfare against North Korea during the Korean war.

An international scientific fact-finding team that made an on-the-spot probe on the North Korean claim about the bacteria warfare, said in a report that Siro Ishii visited South Korea twice and there were reports of his another visit to South Korea in March 1952.

The team said in the report that it could draw no other conclusion but the one that things indicate that the U.S. Air Force spread pest germs in North Korea in a manner exactly same as, or similar to, the method employed by Japan during World War II.

On the team's conclusion, the Stockholm International Peace Institute in Sweden said in 1971 that the observation made by the team was deemed in accord with factuality, and the evidential matters used in the probe cannot be regarded as having been falsified, according to Prof. Kang.

Upon the spread of pest and cholera in early 1952, North Korean Foreign Minister Pak Hon-yong charged in February the same year that the U.S. military was committing bacteria warfare, a claim which was promptly echoed by China's Chou Enlai.

The United States rejected the charge as a "stereotyped slander campaign by the communists."

THE NEW YORK TIMES reported last March 17 that upon the end of World War II the United States dropped war-criminal charges against Ishii and his staff in exchange of the results of their research on bacteria warfare.

Ishii and his staff were said to have been taken thereafter to a "huge facility complete with a stack of science publications and an up-to-date laboratory" in Maryland for work on the development of bacteria weapons.

According to a NEW YORK TIMES report, Ishii died of a larynx cancer in 1959, Prof. Kang said.

Bulgaria's Zhelev Extends Invitation to Firms

SK0404051295 Seoul THE KOREA HERALD in English 4 Apr 95 pp 1, 5

[FBIS Transcribed Text] Bulgarian President Zhelyu Zhelev yesterday invited South Korean firms to participate in the privatization of state-run corporations in his country.

During a summit meeting with President Kim Yong-sam at Chongwadae [presidential offices], Zhelev also said that Bulgaria hopes to establish joint ventures with Korean firms in the shipbuilding, electronics and chemical industries.

President Kim pledged that the Seoul government will support the Bulgarian proposals for expanding economic ties between the two countries, said Yu Chong-ha, Kim's top foreign policy advisor.

"The two leaders also agreed to push for joint ventures aiming at markets in the European Union (EU) countries," Yu said in a post-summit briefing.

In a state banquet he hosted for the Bulgarian president in the evening, President Kim said that South Korea and Bulgaria have great potential for further development of bilateral economic relations.

"We have the capital and technology, while Bulgaria has natural resources and skilled manpower," Kim said.

Zhelev, the first Bulgarian head of state to visit South Korea, arrived in Seoul Sunday for a four-day state visit. South Korea established diplomatic relations with the East European country in March 1990.

Yu said that Kim and Zhelev shared the view that Seoul and Sofia maintain a closer relationship in international affairs.

The Bulgarian president supported South Korea's positions on the resolution of the North Korean nuclear issue and the maintaining of security on the Korean Peninsula.

Bulgaria will also support the South Korean bids to become a nonpermanent member of the U.N. Security Council and to stage the 2002 World Cup soccer championships.

President Kim promised that South Korea will support the Bulgarian efforts to join the World Trade Organization (WTO).

Yu said that culture ministers of the two countries agreed to establish a cultural cooperation agreement. They plan to hold a "Korea Week" festival in Sofia and a "Bulgaria Week" program in Seoul.

The Kim-Zhelev summit talks at Chongwadae was preceded by a formal welcoming ceremony at an outdoor yard of the Korean Presidential Office.

President Kim hosted a state banquet for the Bulgarian president and his entourage in the evening. Zhelev had lunch with the heads of four major business organizations in Korea.

President Zhelev is scheduled to receive an honorary doctorate at the Hanguk University of Foreign Studies and visit the National Assembly today.

Bulgarian President Zhelyu Zhelev, now on a four-day trip to South Korea, is getting higher attention from the South Korean news media than any other head of state from a developing country, partly thanks to his four-decade-long friendship with a defector from North Korea.

Korean officials said that the Korean man, Choe Tong-song, who is accompanying Zhelev on his Korean visit, first met the Bulgarian president in 1956 when they studied chemistry at Sofia University.

At that time, Choe, now 60 shared a dormitory room with Zhelev and two other Bulgarian students at the university where he enrolled in 1955 upon graduation from a high school in North Korea.

Zhelev and Choe have since maintained a close relationship and the Bulgarian president, upon assuming his presidency in 1990, saw to it that Choe and three other defectors from North Korea gain citizenship.

Officials said Choe and three other North Korean students defected to Bulgaria in July 1962 in defiance of Pyongyang's order to return home.

The four students were arrested by North Korean officials one month later and detained in the North Korean embassy in Sofia for about 50 days.

It provoked the Bulgarian government to expel the North Korean ambassador and the Pyongyang government did the same to the Bulgarian ambassador to North Korea, which strained relations between the two countries.

The four defectors, with the help of the Bulgarian government and their Bulgarian friends, were able to escape from North Korean officials just before they were to board an airplane to Pyongyang in October the same year.

The four have since lived in Bulgaria, but without citizenship. Choe and another student earned Bulgarian citizenship in 1990 and the other two students South Korean citizenship under the sponsorship of President Zhelev.

Choe, who had visited Seoul in 1991 to participate in a sports festival for Korean expatriates, has been working at a chemistry plant in Bulgaria.

Dollar Levels Off Despite Sharp Fall in Tokyo

SK0404065695 Seoul YONHAP in English 0637 GMT 4 Apr 95

[FBIS Transcribed Text] Seoul, April 4 (YONHAP)—Despite the dollar's fall to an all-time low against the Japanese yen in Tokyo and other major world financial centers Monday, the U.S. currency's conversion value against the won leveled off at the 771-won mark here in Seoul Tuesday morning.

The dollar began trading at 771.10 won, edging up only 0.20 won from Monday's average market price, and fluctuated between 770.60 won and 771.40 won before closing the morning session at 771.20 won.

The dollar's leveling-off was partly due to the reluctance of traders, especially financial institutions and exporters, to sell dollars in anticipation of a rise in the dollar's demand during the next few days and the Bank of Korea's intervention to support the dollar's value, analysts said.

The Japanese yen rose 7.60 won to a record high 897.96 won per 100 yen.

Investment Easier in Nations Without Formal Ties

SK0404051495 Seoul YONHAP in English 0230 GMT 4 Apr 95

[FBIS Transcribed Text] Seoul, April 4 (YONHAP)—Approval procedures for businesses wanting to invest in natural resource development projects in eight countries, which South Korea has yet to normalize relations with, will be simplified.

Under the decision made Tuesday at a cabinet meeting, presided over by Prime Minister Yi Hong-ku, companies planning to develop natural resource projects in Laos, Cambodia, Cyprus, Macedonia, Syria, Egypt, Afghanistan and Cuba will no longer be required to obtain the cabinet's approval, even though South Korea has yet to establish diplomatic relations with those countries.

The meeting also approved plans to set up a Science and Technology Subcommittee within the Korea-Vietnam Joint Economic Committee and to set up a Korea-Vietnam Joint Shipping Committee and to provide soft loans for the Economic Development Cooperation Fund to Vietnam.

UN Envoy Appointed To Handle SRV WTO Entry

SK0404074895 Seoul YONHAP in English 0728 GMT 4 Apr 95

[FBIS Transcribed Text] Seoul, April 4 (YONHAP)—Ho Sung, South Korea's permanent representative to the United Nations Office in Geneva, was appointed Monday to head a working party that will review a request by Vietnam to join the World Trade Organization (WTO), the Foreign Ministry said Tuesday.

At the second general council meeting held in Geneva Monday, chairman of the WTO General Council K. Kesavapany appointed Ho to lead the working party, the ministry said.

Ho's job, as head of the working party, will include presiding over meetings that deal with procedures required to admit Vietnam to the WTO and consulting

closely with Vietnam and WTO member countries during the admittance procedures, said the ministry.

Vietnam submitted its application to join the WTO on Jan. 4 and the working party to review its application was set up on Jan. 31.

Vietnam will have to go through bilateral and multilateral trade negotiations with WTO member countries and obtain support from over two-thirds of member countries at a general council meeting to be allowed entrance to the world's major economic body.

Armed Forces Conduct Joint Training Drills

SK0404012695 Seoul THE KOREA HERALD in English 4 Apr 95 p 3

[FBIS Transcribed Text] The Joint Chiefs of Staff (JCS) yesterday launched massive military drills against a simulated North Korean attack across the border.

Some 80,000 soldiers were mobilized for the first joint tactical training of South Korean Army, Navy and Air Forces since the U.S. side transferred the peacetime operational control to the Korean side last December.

The six-day exercise, including amphibious raids and air strikes, will continue through Saturday along the East Coast, the JCS said.

Democratic Liberal Party Names Chapter Chairmen

SK0404050995 Seoul YONHAP in English 0227 GMT 4 Apr 95

[FBIS Transcribed Text] Seoul, April 4 (YONHAP)—The ruling Democratic Liberal Party (DLP) named Tuesday one of the country's leading business tycoons chairman of its district party chapter.

Kim Sok-won, chairman of the Ssangyong Business Group, was appointed chairman of the party chapter in the Taegu-Talsong District. He will replace Rep. Ku Cha-chun who recently left the party to join former DLP Chairman Kim Chong-pil's new party.

The ruling party also announced the appointment of new chairmen in four other district party chapters, where the seats of chief organizers had been vacant. Sin Tu-hui, president of Sangye Hospital, was named chairman of Nowon-B District party chapter in Seoul, while Yu Chae-in, a lawyer, was appointed head of the Sujong District party chapter in Songnam City.

Kim In-kwon, president of Chungju City Chamber of Commerce and Industry, was designated chairman of the city's district party chapter, while Kim Hong-yol, former chief of naval operations, became chief of the Sochon District party chapter in South Chungchong Province.

President Kim Yong-sam, who is also president of the ruling party, presented letters of appointment to the new chief organizers for district party chapters at Chongwadae.

The ruling party has replaced chief organizers in 83 of its total 237 district party chapters, since President Kim took office in February 1993.

The party may conduct another sweeping reorganization of district party chapters shortly after the local elections, slated for June 27 this year, are held, a party source said.

Background on Kim Sok-won Debut

SK0404052995 Seoul YONHAP in English 0305 GMT 4 Apr 95

[FBIS Transcribed Text] Seoul, April 4 (YONHAP)—Kim Sok-won, chairman of the Ssangyong Business Group, has come to make his debut in the political world as he was named a local chapter head for the ruling Democratic Liberal Party (DLP) Tuesday.

The party's appointment of the industrialist, observers said, is designed to instill a fresh political air to Taegu and North Kyongsang Province where anti-DLP sentiment is known to be relatively serious.

Kim is the eldest son of the late Kim Song-kon (also known by his pen name, Songkok) the founder of the country's sixth largest conglomerate and a "key figure" of the now-defunct Democratic Republican Party under former President Pak Chong-hui.

DLP sources said that Kim was reluctant at first to accept the ruling party's offer as chapter head which was left vacant by the ex-Chairman Rep. Ku Cha-chun, who bolted the party to join a new party, the United Liberal Democrats.

He was preoccupied with his concern for his business. And yet, he had to bear in mind his father's death-bed words which were against his sons' possible entrance into politics.

But the ruling party was adamant in its desire to persuade Kim to join. The party mobilized various dialogue channels, such as the State Minister for Political Affairs Kim Yun-hwan who is the chairman of the DLP's North Kyongsang Provincial chapter and Rep. Kim Chaekyom, an advisor to the Ssangyong Group, were both known to have contacted Kim.

His father, Songkok, had been one of the powers-that-be under former President Pak until he quit politics after being harshly interrogated in October 1971 by investigators of the former [Korean] Central Intelligence Agency (CIA). He was questioned by the CIA agents on the accusation that he had played a central role in the passage at the National Assembly of a motion calling for the dismissal of then Home Minister O Chi-song in defiance of President Pak's order to keep him.

Meanwhile, the Ssangyong Business Group said Tuesday Kim will continue to perform his duty as the group's chairman regardless of his political activities.

A group official said there would be no problems for Kim to perform his duties as the top manager for the group, as the autonomous management system of the group affiliates has already been established.

Crackdown Ordered Against Election-Law Violators

SK0404023895 Seoul THE KOREA HERALD in English 4 Apr 95 p 3

[FBIS Transcribed Text] The prosecution ordered nationwide crackdowns yesterday on election-law violators, while issuing a warning against possible "interference" by dissidents, students and labor activists in the coming local elections.

After a meeting of senior prosecutors in charge of local districts, the prosecution also said it would be on guard against "leftist elements" attempting to cause social confusion.

The meeting took place amid rising concerns about the "overheated" atmosphere ahead of the June 27 elections to pick governors, mayors, country chiefs and local council members throughout the nation.

The prosecution suspects that some dissident groups, trade unions and organizations of radical students are seeking to affect the outcome of the elections through illegal means, a prosecution spokesman said.

As a precautionary measure, the prosecution is investigating such groups, he said.

Also under scrutiny are "reckless" pro-North Korean remarks made by some dissident groups, particularly in relation to the negotiations over Pyongyang's nuclear program, he said.

The prosecution said it would deal sternly with an illegal "group action" designed to promote interests of specific groups by taking advantage of the election atmosphere.

Recently there have been reports of instances of "group egoism," such as a strike by taxi drivers in a provincial city.

The prosecution also warned against possible irregularities by political parties, such as preelectioneering and the nomination of candidates for money.

An opposition national legislator was under the prosecution's investigation for allegedly receiving tens of billions of won for nominating a candidate for a provincial administrative chief post, according to prosecution sources.

Prosecutors at the meeting also agreed to keep close watch on candidates' employment of "thugs" for their campaigning in the name of bodyguards.

The prosecution issued instructions calling for rigorous action against any irregularities by officials issuing various permits.

The spokesman noted that chances for such irregularities might increase because of "administrative gaps" caused by the resignation of ranking officials who will run in the elections.

About 800 government officials, including six governors and mayors, have quit their posts to be registered as candidates for the coming elections.

Prosecution statistics showed that already six people have been arrested and over 100 booked for violation of the election law this year.

Study Reveals Economy Shows Signs of Overheating

SK0404013095 Seoul *THE KOREA HERALD* in English 4 Apr 95 p 8

[FBIS Transcribed Text] The Korean economy, growing faster than forecast, is showing signs of overheating, according to a study yesterday.

A surge in domestic demand and a widening current-account deficit are building up inflationary pressures and overheating the economy, said the study released by the Korea Institute of Finance (KIF).

The government should lose no time in undertaking macroeconomic measures to ensure that the economy will not overheat and feed inflation, it proposed.

Unless proper measures are taken right now to engineer "a soft landing for the economy," inflation will pick up substantially from the second half of this year and the nation may suffer stagflation starting the second half of next year, in which consumer prices are going up amid low economic growth, it predicted.

The study said the economy is growing so rapidly that it threatens to stimulate inflation.

Helped by the strong yen and a surge in domestic corporate capital spending, the economy is estimated to post an 8.1 percent annual growth this year, well over a 7 percent level that the institute says does not present an inflation risk.

Imports of capital goods and raw materials are likely to surge this year to fuel the economic growth, thus increasing the nation's trade and current account deficits to \$4.25 billion and \$6.35 billion from \$3.08 billion and \$4.78 billion a year ago, respectively.

The current-account imbalance will be much higher than the proper level, or less than 5 percent of the nation's exports that does not build up inflationary pressures, according to the study.

The hectic growth of the economy will create a surge in domestic demand and consumer prices are expected to jump 6 percent this year from the end of last year, way over a 5.7 percent rise that the KIF says does not overheat the economy.

As the economy reached full employment in the fourth quarter of last year, labor shortages are emerging, pushing up labor costs and causing production bottlenecks.

As output fails to meet demand, there is a high possibility that the excess demand will drive up consumer prices substantially, according to the study.

To cool down the economy, the study proposed that the government focus its macroeconomic policy on driving down the aggregate demand.

To that end, the government will have to undertake a mix of monetary, fiscal and foreign exchange policies rather than relying only on the monetary policy, it said.

The Bank of Korea, meanwhile, said yesterday that the economy is not overheating, saying that the growth rate of consumer spending is currently lower than that of gross domestic product.

The central bank also said that the labor market is not so tight as believed and the economy is not suffering from serious supply bottlenecks.

*** Effects of Fair Trade Law Revision Analyzed**

952C0083A Seoul *SILMUL KYONGJE* in Korean 15 Feb 95 pp 45- 48

[By Senior researcher Yi Kyong-tae—*SILMUL KYONGJE* is published by the Korean Institute for Industrial Economics & Trade (KIET)]

[FBIS Translated Text]

Maximum Investment Down From 40 to 25 Percent

The revised "Monopoly Control and Fair Trade Law" was passed by the regular session of the National Assembly last year. As a main feature, the revision lowers the upper limit to the total of investment that companies belonging to large conglomerates can make from 40 percent of their net assets to 25 percent. But Category 1 facility enterprises falling under the "Private Capital Inducement Law" are exempted from this restriction for up to 20 years as an exception. This provision is aimed at facilitating the expansion of much needed social overhead capital [SOC].

The restriction under the Fair Trade Law on the investment total of large conglomerates was first introduced in 1987 to curb an excessive diversification of large conglomerates. When this restriction was introduced in 1987, the actual ratio of the total investments by large conglomerates (to their net assets) was 44.8 percent on the average, a bit higher than the legal limit of 40 percent, although some affiliates might have far exceeded the limit. The percentage in excess of the limit has been continually brought down automatically as the scales of companies expanded or as a result of their conscientious efforts to bring it down. As of 1994, the average ratio of the total investment to the net assets was

down to 26.8 percent. Therefore, as far as the average ratio is concerned, it was far below the prerevision legal limit.

Nevertheless the revised Fair Trade Law lowers the legal limit to total investments from 40 percent of the net worth to 25 percent. The revision is designed to induce conglomerates to reduce investments in other businesses and instead concentrate their surplus funds on investments in their own priority business activities. To be more specific, through the revised law the government seeks these goals: curbing unrelated diversification, diffusing ownerships, preventing the concentration of economic powers, and improving the financial structures of conglomerates.

Open Firms Excepted

With the passage of the revision of the Fair Trade law, the Fair Trade Commission has recently announced draft amendments to the enforcement ordinance.

The following are the main features of the draft amendments: The criteria used in designating a corporate group as a large conglomerate are eased so that any group with diffused ownership may be exempted from the object of designation as a large conglomerate; on the individual affiliate level, and those companies with well-diffused ownership are exempted from the restriction on the upper limit to their total investments. In cases where a nonleading company invests in a leading company or where a leading company invests in another company in the same category of business, the amendments also temporarily lift the restriction on the upper limit to the total investment as an exception for the purpose of promoting specialization. Below we will examine each of these provisions.

Under the Fair Trade Law, the 30 largest corporate groups in terms of the size of the total assets are designated as large conglomerates. Companies belonging to a large conglomerate are subjected to various restrictions. For instance, they are not allowed to provide cross payment guarantees to each other; there is a limit to their total investments; their voting rights are limited on their stocks in affiliated financial institutions. However, the draft amendments exclude certain corporate groups from being designated as large conglomerates in the following cases: Where the percentage of insider shares of a group as a whole does not exceed 20 percent (10 percent for an individual or a person with a particular interest excluding shares held by affiliates); where the equity capital ratio of the group is more than 20 percent; and where more than 60 percent of the shares are held by the public. Thus the draft amendments seek to free such corporate groups from various restrictions under the Fair Trade Law, which is designed to prevent the concentration of competitive powers in the hands of large conglomerates. In other words, even when a corporate group invests in an enterprise outside its business domain or moves into another business category, the law will not regard it as a concentration of economic powers.

Among the present 30 largest conglomerates the Far East Group—whose leading companies are Far East Ceramics and Far East Construction—was the only group that met the above-mentioned criteria as of 1 April 1994.

Affiliates that meet certain conditions are exempted from the limit to their total investments, even if the group to which they belong fails as a whole to meet the aforementioned requirements, so that they may invest in whatever business they want. A company qualifying for this exemption needs to fulfill the following conditions: It is listed on a major stock exchange; that less than 15 percent of its stock is owned by the group (less than 8 percent in case of an individual or a person with a special interest); the ratio of its equity capital exceeds 20 percent; and it is not one of the leading corporations of a conglomerate. As of now, among the total 596 companies belonging to the 30 top conglomerates, only eight can meet all of these conditions.

On the other hand, as an incentive for specialization, the limit to the total investment will be withheld for seven years in case a listed nonleading corporation belonging to one of the 30 top conglomerates acquires shares in a leading corporation in the same group, or in case a listed leading corporation belonging to one of the conglomerates ranking between sixth and 30th acquires new shares in another company which belongs to the same group and whose line of business is the same as its own. (In the latter case, the firm issuing a new stock should have a specialization ratio of over 70 percent.)

Ownership Diffusion, Specialization

In the past, the government policy toward large conglomerates has been implemented with emphasis on controls aimed at preventing the concentration of economic powers as illustrated by the controls over their credits, the limit to their total investments, the restrictions on cross payment guarantees and entry to new businesses. But with the ever-intensifying global competition in consequence of the integration of regional economies the world over, the need for deregulation has become more urgent than ever before, and large conglomerates are no exception. The revision of the Fair Trade Law and the draft amendments to its enforcement regulations apparently reflect this current need to a certain extent.

Of course, some might raise the question: Doesn't the lowering of the maximum investments allowable from 40 percent to 25 percent (of the net assets), and thus the giving of less room for investment in other enterprises, signify a tightened control? But it seems unlikely that the additional regulatory provisions will have much significant restrictive effect, judging from the following facts: That the controls which have been enforced to prevent an excessive diversification of business operations are being eased; that credit controls have been curtailed drastically; that the government has made it clear that it will exempt SOC investments from the restrictions on investments and will not restrict conglomerates' entry into new business categories; and that the average ratio

of their total investments to their net worth in the 30 top conglomerates continues on a downward trend.

The most salient feature of the recent statutory revision is that it will serve as a momentum for a shift in the direction of the government policy toward large conglomerates from uniform regulation to flexible and selective controls, while taking diffused ownership and specialization into consideration. The government does not target large conglomerates as a major object of its policy simply because their scale is huge or because they carry too much weight in the national economy. In fact, as far as the scale of business concerned, our conglomerates lag behind the world's first-rate corporations. Our large conglomerates have been subject to controls because their ownerships are concentrated in the hands of a few particular individuals, because their fields of operations are excessively diversified extending into unrelated areas, and because the managerial powers in the conglomerates are concentrated in a few large controlling stockholders. Accordingly, it is more rational to take the diffusion of ownership and the specialization of business operations into account overall in the policy toward large conglomerates, instead of using the scale of business as the sole criterion.

However, among companies with well-diffused ownership, only the leading corporations of large conglomerates are exempted from the limit to their total investments; and among the leading corporations of the first 30 largest conglomerates, only those belonging to the sixth through 30th ranking conglomerates are free to invest in firms engaged in the same lines of business as theirs. This restriction in a way indicates that the policy does not go far enough to support the efforts of leading corporations at specialization while it is overly concerned about curbing the concentration of economic powers.

Installment Credit Companies Services Plan Noted

SK0404020495 Seoul THE KOREA HERALD in English 4 Apr 95 p 8

[FBIS Transcribed Text] Installment credit companies will make debuts here from next year to help finance the purchase of big ticket items, such as cars and home electronic appliances, by cash-short consumers.

Firms wanting to jump into the new financial service, both Korean and foreign, will have until June 30 to submit their applications for license to the Ministry of Finance and Economy, officials said yesterday.

Provisional approvals will be given from July and final go-ahead from October.

For consumers, the installment credit are similar to the existing consumer credit system in that it provides finance for purchase of consumer goods redeemable by a series of payments over a period of time but the real

benefactors will be manufacturers because entire payments will go directly to the makers, the officials said.

The main purpose of installment credit firms is to help facilitate the cash flow of manufacturers and ease their financial problems, said Yi Yun-chae, director general for the ministry's nonbanking finance bureau.

Among financial service firms, only leasing, factoring and credit card companies will be allowed to set up the specialized consumer finance company with initial capitalization of 20 billion won (\$25 million) or more, the officials said.

Manufacturing applicants should have at least 200 billion won in outstanding credit sales and the corresponding criteria for small business is 100 billion won.

If the new companies are joint ventures among businesses, large shareholders should come from either financial service firms or makers of durable goods, they said.

Foreigners with consumer credit business experiences of at least 10 years in their home countries can also apply for licenses with Korean partners, either financial companies or manufacturers of durable goods. The foreign partners will be permitted to hold equity of up to 49 percent in the tie-up firms.

From 1997, the foreigners will be able to set up installment credit business 100 percent on their own.

The foreign participation in the consumer finance business has been one of the critical issues at the financial service talks between Korea and the United States. The government originally planned to introduce the new financial business from 1997 but advanced the timing one year ahead of schedule.

In the initial stage, about 10 domestic companies will likely start operation, including the nation's three major auto companies and three home appliance makers.

To avoid cutthroat competition among the nation's large conglomerates that operate auto and electronic subsidiaries, the ministry will permit each conglomerate to set up only one installment credit company.

Some foreign enterprises, including the big three U.S. auto makers, have reportedly expressed interest in setting up a finance company in Korea, either independently or through joint ventures with Korean partners.

*** Carmakers Move To Localize Production Overseas**

952C0081D Seoul HANGUK KYONGJE SINMUN in Korean 13 Feb 95 p 22

[FBIS Translated Text] Our automakers seek to localize auto manufacturing and sales operations overseas as the core of their strategy for the globalization of their operations.

Their goal is to produce 1.6 million cars a year overseas by the year 2000. The number is more than 30 times the present level.

As of now, the scale of localization remains largely at the level of shipping parts to overseas factories to assemble them into finished cars. But the general strategy of our automakers is aimed at making direct investments in the construction of factories overseas. The reason is that in most developing countries, our automakers will find it more advantageous in improving competitiveness to deliver parts to overseas factories and assemble them into finished cars than to export finished cars by paying high import duties. On the part of developing countries, they prefer this formula to importing finished cars because it provides them an opportunity to learn technology. The localization of production holds the key to increased automobile exports to advanced countries also.

As of now, our auto industry has two overseas factories secured through direct investment. One of them is Hyundai's Bromong [as transliterated] factory in Canada, and the other is Daewoo's Rodae Company in Romania. Production at the Canadian plant has been halted temporarily. The Romanian factory is currently in operation, and will soon start producing Ciero and other models. Other automakers are rushing to secure their own factories overseas.

Daewoo is on the fastest move among the rest of the automakers to make investments in the localization of car production overseas. The company holds the principle that all overseas production should be carried out at its own overseas plants. It seeks "global operations" while perfectly harmonizing localized production and sales overseas. Its goal is to secure a worldwide production capacity of 1 million cars by the year 2000.

Its Philippines plant will be the first go into operation this year. It has secured large shares in factories under construction in India, Iran, and Vietnam. The Uzbek plant, Daewoo's largest overseas factory, is slated to be completed next year. Its annual capacity will be 200,000 cars.

Daewoo also seeks to build its own automobile plants in Libya and other parts of Africa as well as in South America. The company is calculating to jump over the hurdle of regional blocs by securing its own factories overseas. Its strategy is aimed at actively taking over financially distressed firms in advanced countries.

Hyundai is building a factory in Malaysia. Although its holdings are 30 percent, it can control the operations of the factory, which will produce small 1.25-ton trucks and Sonata II passenger cars to meet the local demand and export most of them to ASEAN countries.

Hyundai Motor Company has agreed with a Turkish firm to build an automobile plant as a joint venture, but the plan is virtually put on hold due to the extremely

deteriorated foreign exchange situation in Turkey. However, Turkey being an associate member of the EU, Hyundai plans to hasten the construction of the plant as soon as the foreign exchange situation improves.

Kia is exerting great efforts in Indonesia.

Its basic policy is aimed at starting the construction of an automobile factory in that country at some time this year so that it may launch full-scale production by 1998 at the latest. The factory represents Kia's first investment in auto factory construction overseas. The factory will have two plants, one assembling passenger cars and the other producing engines and most other key parts.

While building their own overseas factories, our automakers are expanding the supply of parts to local factories overseas.

This is being done through the so-called knockdown (KD) formula.

Kia is the most active in this field of operation. Since it began operating parts factories in Taiwan and the Philippines in 1989, Kia has expanded the KD export areas to Venezuela, Iran, Vietnam, and Pakistan.

In particular, Kia decided to assemble Sportages in Germany, one of the world's original auto manufacturing centers, beginning this March, and has already begun supplying parts. Kia has become the first Korean automaker to produce automobiles overseas by the KD formula. In addition, Kia will supply automobile parts to Namibia as an initial step to conquer the African market. As a consequence, Kia will be making KD exports to all major foreign auto export markets in the world except North America and Oceania.

Hyundai too jumped on the bandwagon of KD exports in 1993 by supplying auto parts to Thailand to assemble them into finished cars. It began to ship Excels to Botswana in 1994 and to Egypt this year.

Hyundai is pushing ahead with a plan to export auto parts to Zimbabwe, the Philippines, Indonesia, and China for KD assembly.

Ssangyong Motor Company plans to diversify the export of auto parts for KD assembly overseas. As of now, Vietnam is the only country to which the company is exporting auto parts for KD assembly by a local factory. Particularly, it is studying ways to localize automobile manufacturing in Europe by the KD formula.

Needless to say, China is the foremost target of Korean automakers in their move to produce automobiles abroad locally.

Some of them are currently producing some commercial vehicles under agreements with local governments. But when it comes to passenger cars, China has made it clear that the selection of Korean automakers to produce

passenger cars will not be made until 1996. Accordingly, auto manufacture in China by Korean firms is still in a planning stage.

Daewoo has decided to build a parts factory with an annual capacity of 300,000 cars in China, under the assumption that it will ultimately turn out finished cars there. As a result, the company is expected to take the lead in the move to localize auto manufacture in China. But other automakers are also trying hard to pave the way for producing automobiles in China by betting their corporate fortunes on the move.

*** 'Ambitious Plan' of Hyundai, Kia, Daewoo Noted**

952C0081E Seoul HANGUK KYONGJE SINMUN in Korean 13 Feb 95 p 23

[FBIS Translated Text] Hyundai, Kia, and Daewoo—Korea's three largest passenger carmakers—each have an ambitious plan to be among the world's top automakers by the year 2000.

Needless to say, they need to drastically increase their production capacity in order to attain this goal. But it is more urgent to improve the competitiveness of their cars through research and development.

For this reason, each automaker has a strong determination to step up research and development.

They have decided to increase the amount of investment in research and development to more than 5 percent of the sales this year from the previous level of 4 percent. Their goal for 1997 and beyond is 7 percent. The main emphasis will be placed on the development of antipollution and recycling technologies, in addition to safety and antivibration technologies, which are the weakest link in car manufacturing in our country. They will also quicken the pace of acquiring next-generation technologies such as electric-car technology. Each automaker will also actively pursue a strategy aimed at turning out one or more new models each year to suit the tastes of overseas customers.

Hyundai is pursuing what is called the "GT-10" plan to become one of the top 10 automakers of the world by 2000. The plan calls for a total investment of 5 trillion won in research and development up to the year 2000 to secure the same level of technology as that of the overseas front-runners. The company also has decided to develop one or more new models each year and install its own engines in all of its car models.

Hyundai will enter the period of full-fledged "models of 100-percent its own make" with the debut of the Accent model as well as the J-2 car, which is slated to be introduced this March.

The company has decided to expand the introduction of its own new models to medium- and large-size passenger cars, minivans, and sports cars. The Alpha engine in the 1,500 cc class was the only engine of its own make in the

past, but the company will make its own engines in the 2,000 cc and 3,000 cc classes also. It will step up the development projects for electric and other low-pollution cars with the goal of commercializing the technology by 1996.

To this end, Hyundai has decided to increase research and development spending from 4.5 percent of the sales in 1994 to 7 percent in the future. The company is determined to do away with its past policy of competing with its advanced foreign competitors in terms of price and instead compete with them in terms of performance and quality.

Kia Motors Corporation has a mid-long-range vision for becoming one of the world's top ten automakers. To this end, it has set five major tasks: developing new high technology; also developing environmental protection technology; securing overseas research strongholds; expanding technology exports; and carrying out joint development with foreign firms overseas. The company plans to spend 7 percent of the sales on research and development by 1997, increase the number of research personnel to 6,500, and develop two or more of its own models each year beginning in 1997. It will localize the manufacture of engines in all classes ranging from 800 cc to 3,300 cc by 1996.

As a measure to expand its research and development capability, Kia plans to build a large integrated research center in Yongin at a cost of 100 billion won. This will be an addition to the existing central technology research center in Sohori. The company is currently building a pilot factory on a lot of 20,000 pyong in the Sihwa Industrial Estate.

Kia will strengthen safety features by installing air bags in all its automobiles. It also plans to develop devices for rear-collision prevention, pedestrian protection, and automatic fuel shutoff at collision with the goal of installing them beginning in 1997 if things go well. The company has decided to speed up the development of a hybrid engine and an ultra lean-burn engine for the protection of the environment. It plans to invest 30 billion won in the development of technologies aimed at reducing the weight of cars by 20 percent and recycling 90 percent of all parts.

Daewoo Motor Company will set up a collision testing ground, an environmental experimental station, and an engine-testing station. It will drastically reorganize its research system to have each unit concentrate on the development of one particular model. It also plans to drastically increase its research personnel to step up research and development activities.

In particular, Daewoo Motor Company has decided to come out with one new model each year beginning in 1996 by developing it in concert with the former British research center which it took over last year, and which is now renamed Daewoo Woding [as transliterated] Technical Center.

Asia Motors Co. will increase research and development spending from the current level of 150 billion won to 330 billion won by 1997 and to 400 billion won by the year 2000 under a mid-long term plan. It will soon exhibit its first own large engine. The company plans to develop its own large commercial vehicle models by the year 2000 without depending on foreign automakers, thereby accomplishing technical self-dependence. To this end, the company opened a large research center in Anyang last year.

Ssangyong Motor Company will step up research and development in earnest under a plan to enter the passenger car market in 1996. It has already developed a model named Musso [as transliterated] jointly with Mercedes-Benz. The company will soon come out with the compact MB-100 model and the K J car, a sequel to the Korando model.

While entering the passenger car market with cars installed with Benz engines, Ssangyong will completely reorganize its research centers. It will do its utmost to develop its own key technologies such as engine and power train technologies, with the engine plant it set up in Changwon late last year as a basis.

Ssangyong is currently working out a mid-long-term plan to drastically expand its research and development structure with a view to making research and development a key task of the corporate group.

Hyundai Precision & Industry Co., which has been dependent on Mitsubishi for technology in the past, plans to develop a four-wheel-drive car with its own technology by 1998. Its strategy is aimed at establishing itself as a company majoring in the manufacture of multipurpose vehicles.

The 21st century planning group of the Samsung Group, which has entered the passenger market for the first time, plans to spend 860 billion won on research and development by the year 2002 to produce all its passenger car models according to its own designs.

*** Automakers Plan 10 New Plants in Next 5 Years**

952C0081F Seoul HANGUK KYONGJE SINMUN in Korean 13 Feb 95 p 25

[FBIS Translated Text] A glance at the production expansion plans of our domestic automakers gives an impression that they are going to turn the whole country into a giant automobile factory.

As of now, there are all together nine factories that are producing finished cars. They are located in: Ulsan (Hyundai); Kwangmyong and Pyongtaek (Kia); Pupyong and Pusan (Daewoo); Kwangju (Asia); Songtan (Ssangyong); Ulsan (Hyundai Precision & Industry); and Changwon (Daewoo Heavy Industries). But the number will increase to 19 in a few years.

The plans to increase the number of automobile plants are based on the judgment that unless automakers hurriedly put in place a production system large enough to benefit from economies of scale, they would not be able to survive in the 21st century. The increase will also help disperse labor disputes.

The basic goal of the "localization strategy" is to create jobs in all areas and help increase local governments' revenues with the advent of the age of local autonomy so that more cars may be sold. It was in line with this strategy that Samsung made a successful entry into the passenger car market last year by taking advantage of the "Pusan sentiments."

When the expansion plans of various automakers are put together, the combined production capacity will reach 6 million cars a year by the year 2000. It means a nearly twofold increase from the current efficient capacity of 3 million cars. This year's overall production capacity is 3.3 million cars. The giant corporation, Samsung, the latest entrant to the arena of passenger car manufacturing, has proclaimed that it will build production facilities sufficient to produce 1.5 million cars a year by 2005. Accordingly, if this plan is counted, the combined production capacity of our automakers could reach 7 million cars.

There is no room for expansion at Hyundai's Ulsan factory. As far as this factory is concerned, the company has no expansion plan other than to increase productivity by eliminating the bottleneck phenomenon of the production line in the Ulsan plant. Therefore, the company has no other choice but to build additional production bases in some other places to expand its production capacity.

To begin with, the Chonju factory currently under construction will partly go into operation in the first half of the year, to be completed by the end of the year. The large-size commercial-vehicle production line of the Ulsan factory will be transplanted in this new factory, which will have a combined annual capacity of 100,000 vehicles. Another factory is under construction in Asan, South Chungchong Province. This factory, which will produce mid-size passenger cars as a strategic export item, is scheduled to be completed late this year and will have an annual capacity of between 300,000 and 400,000 cars.

A new passenger car factory with an annual capacity of 500,000 cars will be completed in Yochon, South Cholla Province. Ground-leveling work on the site of the new industrial estate was started late last year. This estate will become "Number 2 Hyundai town," in which the Hyundai Group will build a steel pipe factory, a ship-building and repair plant, and other factories, in addition to the passenger car factory. When these plans are completed, Hyundai's automobile production capacity will increase from 1.3 million cars to 2.3 million cars in 2000. It will not be long before Hyundai realizes its goal of becoming one of the 10 top automakers of the world.

Kia Motors Corp. has no plan to build a new automobile factory besides its existing Asan Bay and Sohari factories. Instead it will greatly expand the production capacity of the Asan Bay factory by building an additional plant with a capacity of 300,000 cars in its spare lot. Kia will be producing 1 million cars a year at the Asan Bay plants alone by the year 2000. When the capacity of Sohari factory is added, the total annual capacity of the company will increase to 1.4 million cars by the year 2000.

Daewoo Motor Company is building a large integrated automobile complex in Kunsan. The plant, scheduled to be completed by 1998, will have an annual capacity of 500,000 cars. A large-size commercial-vehicle plant will be the first to open this October. When the Pupyong factory with an annual capacity of 500,000, the Changwon factory with a capacity of 200,000 cars, and the Pusan bus factory with a capacity of 6,000 buses are put together, Daewoo will be producing 1.25 million cars at home alone.

Asia Motors Co. is currently building a factory specializing in the manufacture of large busses in Pyongdong. The factory, when completed in 1996, will have an annual capacity of 100,000 buses. Asia Motors will acquire a capacity of 500,000 vehicles by the year 2000, including vehicles manufactured under a contract with Kia.

Ssangyong Motor Company has been producing only four-wheel drive and commercial vehicles at its Songtan factory. But it will soon launch into the manufacture of passenger cars by building a passenger-car plant in the spare lot of this factory. The passenger-car plant will have an annual capacity of 200,000. The company plans

to build an additional passenger-car factory with an annual capacity of 500,000 cars in the Kuji Industrial Estate in Talsong, North Kyongsang Province. Currently, the assessment process for the possible environmental impact is in progress. The company is expected to have a total production capacity of 700,000 passenger cars by 1998 at the latest.

Samsung, which successfully entered the passenger car market last year for the first time, is also very ambitious. As an initial step, a compact car factory with a projected annual capacity of 40,000 cars is currently under construction in the Songso Industrial Estate in Taegu for completion in 1997. Work will start this June to build another passenger-car factory with an annual capacity of 500,000 cars in the Sinho Industrial Estate for completion in 1998. In addition, the company plans to build still another car factory with an annual capacity of 1 million cars in Kadok Island near Pusan or in the Kunjang Industrial Real Estate for completion in 2002.

According to an estimate by Daewoo Economic Research Institute, despite all these ambitious expansion plans, the annual domestic demand for automobiles will be only 2,395,000 cars by the year 2000, consisting of 1,558,000 passenger cars and 837,000 commercial vehicles. Therefore it is very obvious that unless more than half of the cars manufactured at home are exported abroad, the facility-operating rates of our automakers is bound to drop miserably.

Despite the risk of overlapped excess investments, our automakers have crossed the Rubicon. Now they have no alternative but to raise their international competitiveness so that they can compete in the overseas markets.

Burma**Reports Presented at Convention Plenary Session**
BK0404102295

[FBIS Editorial Report] Rangoon Radio Myanmar in Burmese at 1352 GMT on 31 March broadcasts a 99-minute program consisting of "excerpts" of the proposal reports presented at the 31 March National Convention Plenary Session by members of the elected representatives delegate group. The proposals concern detailed basic principles for the prescription of self-administered divisions and self-administered zones. The following delegates presented reports:

U Tun Myaing read the proposal report of the Shan State Kokang Democratic Party elected representatives on behalf of U Yan Kyin Maw. He delivered a motion that certain consensus is needed to prescribe self-administered areas and proposes that Konkyan, Lauk-kai, and Kunlong Townships be grouped together as a self-administered zone for the Kokang nationals.

U San Tha Aung, elected representative of the Mro or Khami National Solidarity Organization from Kyauktaw Township constituency in Arakan State presented a proposal to upgrade Katihla and Yepetkan villages to towns.

Daw Sein Tin, elected representative of the National League for Democracy, or NLD, from Shwegu Township constituency in Kachin State read the proposal report prepared by the NLD elected representatives. She presented her party's motions on self-administered areas and delivered the following wrap-up:

"1. A. This National Convention is meant only to lay down basic principles.

B. The prescription of self-administered areas is a very delicate issue and even a slight mistake could jeopardize the nondisintegration of the union, the nondisintegration of national solidarity, and the perpetuation of national sovereignty.

C. The wishes of the local populace have not yet been solicited.

It is therefore not appropriate for this National Convention to prescribe self-administered areas, and we object to the motion.

2. The National Convention should only discuss principles that could be used in reference to determining self-administered areas.

3. We propose that the government form a commission to prescribe self-administered areas. The commission should examine the following criteria:

- A. Having a clear geographical boundary;
- B. Having a language other than Burmese;
- C. Having the same culture;

D. Having an ethnic group with the same historical tradition;

E. Having an ethnic group with sufficient economy and economic benefits;

F. Having sufficient population;

G. Having a separate union region and the desire to live by its own characteristics.

4. The commission should be formed with the following personnel:

A. The leaders of the country;

B. Leaders from the state and division level;

C. National leaders recognized by the national races in their respective regions;

D. People from the respective states and divisions who participated in the 1947 Panglong Conference;

E. Representatives from the respective regions who were elected in the multiparty democratic general elections;

F. Experienced personnel from the concerned civil service organizations;

G. Independent observers from other regions.

5. The commission should go to the respective regions and be able to study, discuss, speak, examine, and scrutinize.

6. The duties and responsibilities of the commission should be tentatively classified as follows:

A. To scrutinize the effects on other national races in the region when recommending rights for an ethnic group;

B. To study how to defend the rights of other national races in the region;

C. To discuss and coordinate the sharing of natural resources, forests, farm land, rivers, streams, ponds, drinking water, and water resources regarding the demarcation of boundaries;

D. To conduct a population census in the respective regions.

7. The government, after receiving the commission's report, should hold a referendum according to the respective regions. The referendum should be in line with democratic principles and should be free and fair like the 1990 multiparty democratic general elections.

8. The government should take the necessary action after holding a referendum."

U Khun Tun Oo, elected representative of the Shan Nationalities League for Democracy from Hsipaw Township constituency-1 in Kachin State, read his party's proposal report. He delivered a proposal to conduct a referendum in 22 townships in Kachin State and northern Sagaing Division so as to prescribe a

self-administered division or a self-administered zone for the Tai national race. He then presented his group's proposals on self-administered areas.

U Thein Tun, elected representative of the National Unity Party from Ingapu Township constituency-2 in Irrawaddy Division, read that party's proposals on self-administered areas.

Five independent elected representatives—U Hla Maung from Kya, in Seikkyi Township constituency-1 in Karen State; Dr. Hmu Tang from Thangtlang Township constituency in Chin State; U Htaung Kho Htan from Tamu Township constituency in Sagaing Division; U Tun Kyaw from Namhsan Township constituency in Shan State; and U Aung Thein from Ywangan Township constituency in Shan State—presented their proposals. U Tun Kyaw from Namhsan Township proposed prescribing a self-administered division or a self-administered zone for the Ta-ang Palaung national race.

Retired Major Mya Thaung from Aungmyethazan Township, Mandalay Division; U Aung Sar from Kutkai Township, Shan State; and U Hkun Win Naung from Pa-an Township, Karen State, presented proposal reports in three parts for the national races delegate group. Mya Thaung proposed that self-administered areas be prescribed at the National Convention and that the formation of a commission is unnecessary. He also stated that self-administered areas should be designated for Naga, Danu, Pa-O, Palaung, and Kokang nationals while a self-administered division should be prescribed for Wa nationals. U Aung Sar presented a proposal that a self-administered division be prescribed for Pa-O nationals. Finally, U Hkun Win Naing presented a proposal designating a self-administered division for the Ta-ang Palaung national race. He also proposed that a suitable solution be worked out for prescribing a self-administered area for the Kayan people.

Minority Groups Vow To Continue Fighting

BK0404101395 Bangkok BANGKOK POST in English
4 Apr 95 p 5

[FBIS Transcribed Text] Guerrillas from Burma's majority Burman community allied to ethnic minority rebels, vowed yesterday to continue fighting the Rangoon government even though their minority allies were negotiating ceasefires.

"We cannot say if the minority groups will enter ceasefires or not but even if they do we will continue our fight against the military dictatorship any way possible," Win Min of the All Burma Students Democratic Front (ABSDF) told Reuters.

Another Burman guerrilla group, the People's Liberation Front (PLF), said yesterday it too would continue to fight Rangoon.

"Those groups meeting with the SLORC individually and making individual agreements are politically

wrong," said PLF leader Aye Saung, referring to Burma's ruling military body the State Law and Order Restoration Council (SLORC).

"The PLF declared its commitment to continue struggling against the military dictatorship and will seek to cooperate with all opposition groups throughout the country," he said.

The PLF is a small guerrilla force which until now has been operating out of territory controlled by minority Karen guerrillas in southeast Burma.

Democracy-seeking Burman groups joined the minority guerrilla forces in the aftermath of a bloody crackdown on a pro-democracy uprising in Burma's towns in 1988.

The new opposition alliance originally insisted on negotiating as a united front but the SLORC refused and instead approached minority groups individually in a move one Rangoon-based diplomat described as "classic divide and rule."

The SLORC has made no attempt to open talks with the Burman groups but has reached ceasefire agreements with 14 ethnic minority rebel groups since 1989 by offering them a degree of autonomy in their zones of control.

"The SLORC has approached different groups individually and offered them rights and opportunities according to each group's strength, not with the sincere aim of achieving peace and solidarity in Burma," Aye Saung told Reuters.

Brunei, Malaysia & Singapore

Malaysia

Two Reporters Arrested Under Official Secrets Act

BK0404035295 Kuala Lumpur NEW STRAITS TIMES
in English 31 Mar 95 p 8

[FBIS Transcribed Text] Johor Baru, Thurs.—Two *Harian Metro* journalists who wrote a story on a kidnapping case using "classified information" last December were arrested by Johor police under the Official Secrets Act (OSA) 1972, this morning.

Yusaini Ali, 24 and Saniboey Mohamed Ismail, 22, were picked up after they reported for work at the tabloid's Johor bureau in Bandar Baru UDA [Urban Development Authority] about 10 am. Two police officers from the State Criminal Investigation Department met the journalists, explained why they were being taken into custody, and handcuffed them. Yusaini and Saniboey were then taken away to the State CID [Criminal Investigation Department] headquarters here. If convicted, they face mandatory imprisonment of a minimum of one year and a maximum of seven years.

Previously, the court had the discretion to impose a fine or a prison term or both, but this was removed when the Act was amended in 1986, after two journalists, one attached to a foreign-based news magazine, and the other, a local English daily, were charged for leaking Government secrets.

Tomorrow, the two *Harian Metro* journalists are expected to be produced before a magistrate for an order under Section 117 of the Criminal Procedure Code to place them under police remand for two weeks.

Yusaini and Saniboey were detained in connection with a news report in the *Harian Metro* dated Dec 10, last year, in which they were alleged to have written about an on-going kidnap case involving a 14-year-old schoolboy.

According to their front-page report, quoting police sources, the gang of kidnappers had demanded a [Malaysian ringgit] RM10 million ransom from the family of the kidnap victim, Ang Choon Foong. Ang was kidnapped by a gang of thugs at a playground in Taman Tasek on Oct 2, and following negotiations the ransom was reduced to RM300,000. However, the boy's father, plastics factory owner, Ang Keng Koh, 48, had by then decided against paying the ransom as he did not know the whereabouts of his son.

On Jan 27, police found Ang's skeletal remains under the bridge at Taman Perling housing estate here. Police had earlier requested the Press to withhold any story on the kidnapping so as not to jeopardise investigations. Police subsequently arrested four suspects but two were released later. The mastermind of the kidnapping is still at large.

Meanwhile, Johor CID chief Senior Assistant Commissioner II [Roman numeral two] Ali Hanafiah Hashim confirmed the arrest of the two journalists by a police party led by Assistant Superintendent Liew Guan Theng and Inspector Jasbir Singh.

Ali Hanafiah said the two were now being questioned to ascertain the possibility of them being charged under the OSA. He said: "The two journalists would be produced in court tomorrow morning for us to get an extension order to detain them for a longer period to facilitate further interrogation.

"However it is entirely up to the court to decide whether police will be given the maximum two weeks detention order under Section 117 or lesser."

Ali Hanafiah said the two journalists were detained for allegedly releasing classified information held by the Johor Police.

He said while police often released details to the Press on their investigations into criminal cases, certain information was strictly confidential.

"Such classified information should not be published by the Press and journalists should cooperate with the police on such matters," he added.

He did not want to elaborate on what was considered classified information that was allegedly published in the *Harian Metro* Dec 10 report

Meanwhile, Johor media club president Mohamed Kamel Othman, in a statement issued today, said the club was saddened by the arrest of the two journalists and hoped the police could speed up their investigations.

In Kuala Lumpur, the National Union of Journalists, in a statement urged the police to release the two journalists immediately.

Its general secretary Oon Ee Seng, said the action by the Johor police posed a threat to Press freedom and to journalists performing their duty professionally without fear or favour.

Singapore

Defense Chief Comments on Turnover in Leadership

BK0304162095 Singapore THE SUNDAY TIMES in English 2 Apr 95 p 25

[By Mathew Pereira]

[FBIS Transcribed Text] Systematic renewal of the top leadership in the SAF [Singapore Armed Forces] is vital to keep the commanders young and also to attract and keep talent in the force.

The Chief of Defence Force [CDF] Lieutenant-General Ng Jui Ping, said that the renewal policy extends right up to the top posts in the SAF—his own post, the Chiefs of Service and other senior positions. To have the best SAF battalion commanders should be in their early 30s.

This will mean that brigade and division commanders, airbase commanders, and fleet and flotilla commanders should be at their positions before or by age 40, he noted. And of course the Chiefs of Service should be young, too he added.

Lt-Gen Ng, 46, will step down from his appointment on June 30. Succeeding him will be the current Chief of Air Force, Major-General Bey Soo Khiang, 40.

Brigadier-General Goh Yong Siang, 43, who is now director, Joint Operations and Planning Directorate and also Chief of Staff (Air Staff) will become the new Chief of Air Force on July 1.

The post of Army Chief will also change hands. Major-General Lim Neo Chian, 42, will relinquish his appointment on April 30.

Brig-Gen Han Eng Juan 40, will take over the top army post.

Lt-Gen Ng said in an interview with THE SUNDAY TIMES: "A young SAF is necessary because we are serious about being a good defence force.

"Having good equipment and good training systems are by themselves, inadequate."

This renewal process is also necessary for SAF to retain the outstanding men it systematically recruits.

"The best of SAF's lieutenant-colonels and majors will begin to leave if they see no realistic chance of getting to the top jobs.

"And this they will conclude, if they see Chiefs of Service and CDFs who take the jobs young keep these jobs for some 10 to 15 years, till their retirement."

He added: "If SAF wants to have both a policy of keeping itself young, and to induct and retain very good people, then these good people at their mid-career age—late 20s and early 30s—must see that they have a reasonable chance themselves of getting to the top.

"And so you have to turn over the SAF leadership regularly."

Cambodia

Government Responds to Rangsi on Development

BK0304142495 (Internet) SEASIA Listserv in English
1257 GMT 30 Mar 95

["Press Release of the Royal Government of Cambodia" issued in Phnom Penh on 6 March]

[FBIS Transcribed Text] A number of allegations have been made against the Royal Government of Cambodia by an Ex-Minister of Finance. We would like to respond point by point to those allegations. But first there are some overarching observations which should be made.

Many of the charges leveled against the Royal Government of Cambodia (RGC) seem contradictory. On the one hand, we have been castigated for canceling the traffic rights of two foreign-owned airlines, Cambodia International Airlines and SK Air, which were operating under a temporary borrowed traffic rights of Cambodia, meanwhile, there appear to be calls for the cancellation of a legitimate joint-venture agreement which has been part of the Royal Government privatization program in which the Royal Government retains the majority share. On the one hand, the government is accused of selling the national birth-right; on the other hand foreign entities are defended as having rights which were never theirs.

Many of the criticisms of the RGC are unclear and non-specific. Government detractor repeatedly points to contracts, concessions, guarantees, etc. which is not to his liking. But without any more specificity than this, it is difficult to address directly the allegations.

There are a number of unsubstantiated assertions which appear to be based on rumor and hearsay. Under a "rule of law," allegations without proof are irresponsible and unethical.

Finally, it is important to remember that Cambodia is less than a two years old "reborn country." We do not claim perfection in anything. However, the world community knows that we are in the process of trying to establish a rule of law in Cambodia since the United Nations supervised elections last May 1993. By comparison, after the formation of the United States, it was 13 years until the U.S. Constitution was put in place and years after that before bureaucratic rules were firmly established. We have been praised by multilateral and bilateral agencies for the speed with which we are working to develop and reform. It will take far less than 13 years to get our legal Framework put into place (partly because of the examples we can learn from developed nations), but it is a process that deserves time and attention to make sure that the laws are fair and work toward the well-being of all of our citizens. Regarding the allegations which can be identified and understood, we would like to respond to these on a line by line basis, as follows:

Allegation: There is still has no implementing decree for the CDC [Council for the Development of Cambodia] to specify its *modus operandi*.

Response: There are really two issues here—the implementing decree and the *modus operandi*. With regard to the implementing decree the Cambodian Investment Board (CIB) has been drafting a decree with the help of various experts. It is our desire to establish an implementing decree which takes into account all contingencies, rather than having to amend the decree frequently after its adoption. With regard to the *modus operandi* of the CDC and until an implementing decree is established (which will specify a procedure for interaction with line ministries), the interim procedure is as follows: after an application is filed the CDC has 45 days to respond. An evaluation sheet is circulated to the officials of the CDC—the CIB Secretary General, CDC Secretary General, CDC Vice-Chairman and CDC Chairman. Each of these officials makes comments (checking with relevant line ministries when necessary) and then approve or disapprove the application. Successful investment applications must be signed by all four officials of the CDC. All approved investments are published. This procedure is similar to that of other countries. To date, only a small percentage of investment proposals have been rejected. These have only been in cases where the project has not appropriately demonstrated financial viability, or where the project is not in the best interests of the national good. Delays in the processing of investment proposals can occur in the case of major infrastructure and natural resource projects.

Allegation: The Ministers directly concerned have no access to the contracts.

Response: The relevant ministries are responsible for signing contracts and they maintain possession of the contracts.

Allegation: Official "gifts" or "commissions" have been given by private corporations to the Royal Government of Cambodia.

Response: We have worked to make sure that concessions are transparent and accrue directly to the National Budget. Monetary concessions can then be used for public works or welfare as determined by the budgetary process.

Allegation: The concession amount from the Naga project winner has not been verified whether it is included in the State Budget or not.

Response: The concession payment schedule was clearly included in the contract signed between the RGC and the Company. The first concession payment has been received by the RGC and is part of the National Budget.

Allegation: Rather than offering a "tip" for investment, why not simply deduct the cash-equivalent?

Response: These are private investments which have no obvious short term cash flow to the treasury. However, many of the approved projects will enhance the public welfare in the short term. These projects emphasize infrastructure building—roads, airports, sewage, systems, water purification, etc. The only government income from these contracts will be in the form of taxes, which naturally cannot be collected until the project becomes profitable. The up-front "concessions" give the government immediate cash flow which can be used for other public welfare projects for the people of Cambodia.

Allegation: Donations from private companies intended for the beautification of the capital.

Response: The RGC supports the concept of corporate sponsorship. This is an idea which is well accepted in many market economies. Private donations to help Los Angeles rebuild after a series of debilitating riots is a positive example. If the government coordination of such efforts can serve as a charitable activity for companies and a rallying point for the nation's citizens and business community, then we believe it is a worthwhile activity.

Allegation: Businessmen who make such "donations" might feel free from legal obligations and refuse to pay taxes.

Response: Everyone is legally obligated to pay taxes as required under the law.

Allegation: Failure to respect the most fundamental rules of tender for public contracts.

Response: Tender procedures should have been completed during the tenure of the ex-Minister of Finance. In the absence of such rules in the case of Naga Island, the Minister of Tourism employed an independent consultant to oversee the tender process. All tenders were opened on the same day before a panel consisting of the Minister of Tourism and Cabinet Minister, another

Cabinet Minister, the Secretary General of CDC, the Secretary General of CIB, Legal Adviser of CDC, the UNDP Legal Adviser of Tourism Ministry, and the independent consultant. The Panel awarded the contract to the best proposal. Public procurement and tender processes for the future are currently being drafted by the ADB [Asian Development Bank].

Allegation: No clear laws or regulations regarding the principles and procedures of privatization.

Response: These laws should have been completed during the tenure of the Ex-Minister of Finance. We are currently in the process of writing them. An inter-ministerial council only recently gave its approval to the content of privatization regulations.

Allegation: Procedure for the valuation of assets sold or leased.

Response: These procedures should have been completed during the tenure of the Ex-Minister of Finance. In the four months of the new leadership of the Ministry of Finance we have developed an action plan to strengthen these procedures. These procedures will be implemented in the coming months.

Allegation: There have been secret forest concessions on alarming terms.

Response: We have held inter-ministerial meetings on this issue, so it is hardly a "secret" concession. Furthermore, there has only been one concession—that offered to Samling. This contract was signed in the due of course of law by the Minister of Agriculture and two ministers in the Council of Ministers on behalf of the Government. The Royal Government policy of sustainable forestry management obligates the concession holder to submit a master plan and an environment impact assessment (EIA) before it could start operation.

Allegation: Investors need a reliable legal framework applying to all.

Response: The Government of Cambodia has started the drafting of various law and regulations since its formation in 1993. We are working with outside international law firms and multilateral agencies to speed up the drafting of these laws with the ultimate objective to make Cambodia become a State of law.

Allegation: It is no longer necessary to collect taxes from companies because the total amount of taxes was small compared to "commissions."

Response: The Ministry of Finance is strengthening the tax system by issuing tax IDs to all corporations. By requiring all companies to send their taxes directly to the Ministry rather than be collected, "special tax breaks" are less likely to occur.

Allegation: Should avoid arbitrariness with regard to tax scales and procedures.

Response: The tax scale is for everyone. No one is above and no one is below the law.

Allegation: The French company International Des Jeux was ousted by the Malaysian company, The Cambodian Lottery Corporation [CLC].

Response: The Malaysian company never received a contract for a national lottery. The CLC operates a private lottery. Decisions on the national lottery should be made later by tender. The CLC operation was authorized and established prior to the May 1993 election and its activities were suspended just before the elections. It was restarted after the elections. It should be noted that a Memorandum of Understanding, signed by the Ex-Minister of Finance with International Des Jeux was done without the power of attorney of the government. In this case, the Ex-Minister of Finance violated the most fundamental rules of Governmental administrative procedure and the rule of law he claims to defend.

Allegation: Dumez-GTM was ousted by the Malaysian furniture manufacturer for the contract to extend and renovate the Phnom Penh airport.

Response: The tender has not been awarded to anyone yet as of today March 6, 1995. The Ministry of Public Works and Transport will submit the final report and evaluation to the Council of Ministers for approval. It seems particularly inappropriate and perhaps unethical for the Ex-Minister of Finance to intercede with the press on behalf of an entity in a tender process which is still not resolved.

Allegation: The RGC rejected proposed aid from the French Government of US\$20 million for the Pochentong airport to award the contract to the Malaysian Company.

Response: The RGC did not reject the [words indistinct].

Allegation: The contracts with TOTAL and Inchcape Testing Services were revoked.

Response: The awarding of contracts of these types was the sole responsibility of the Ministry of Commerce. As these were incorrectly and illegally (again without the power of attorney of the Government) signed by the Ex-Minister of Finance, the contracts were canceled.

Allegation: The government does not have a system of Pre-Shipment inspection.

Response: The ministry concerned is working to establish a pre-shipment inspection service and will submit a recommendation to the government in the immediate future. The need to establish the pre-shipment inspection service was announced to the press and the staff of the Ministry of Finance in October 1994 during the ceremony to transfer the responsibility of the Ministry from the Ex-Minister to the current Minister. The Ex-Minister of Finance was present at the ceremony.

Allegation: The "emergency work" at the Pochentong airport was done with funds from the national budget rather than international loans.

Response: The Ex-Minister of Finance was the one that approved the funding of this project. It is the responsibility of the present Minister of Economy and Finance, in consultation with the cabinet and ministerial colleagues, to set the balance between the use of state revenues, international aid, and concessionary loans. Investment in an international airport is considered as a productive public investment due to potential fees earned from airline companies.

Allegation: Urgent and major public works have not received attention because decision-makers are not motivated to carry them out.

Response: Numerous urgent and major public works such as bridges, roads (road numbers 1, 2, 3, 4, 5, 6A, 7, 11 have been rehabilitated or in the process of being completed) and other infrastructure projects have been [words indistinct].

Allegation: The Fokker 28 airplane was an improper "tip" to the government.

Response: This was given as a transparent and open concession. Press and public were invited to the ceremony in which this aircraft was delivered to the government. This is a valuable concession in that it meets a need of the government that would have involved buying another aircraft, renting on occasion, or paying for tickets to private carriers. Payments for rental fees, purchase price, or travel tickets would come from the national budget, diverting funds which might otherwise be used for national welfare or infrastructure projects.

Allegation: MHS [expansion unknown] has the national traffic rights of Cambodia.

Response: The Royal Government of Cambodia retains all national air traffic rights under the agreement with MHS. It should be noted that our national flag carrier RAC [Royal Air Cambodge] is majority-owned (60 percent) by the RGC.

Allegation: Confidentiality clauses in government contracts are improper.

Response: It is general practice in many nations to keep confidential those parts of a contract which may have a deleterious effect on competitiveness.

[Words indistinct] against the RGC filed by Cambodia International Airlines (CIA).

Response: There is no such lawsuit to our knowledge. There is no breach of contract as CIA was duly informed as of February 1994 that their borrowed traffic rights from the Cambodia Government would be utilized solely by the National Flag Carrier once it began service.

Allegation: National revenues from Royal Air Cambodge are limited to a US\$6 million royalty.

Response: As a joint venture partner with MHS in RAC, the RGC will make profits anytime the airline is profitable. The \$6 million was simply an initial concession fee.

Allegation: RAC has a monopoly which is not like other countries.

Response: Most countries have only one national flag carrier. (ie. Singapore Airline, Thai International, MAS, Swissair, etc.) Other international carriers are welcome to fly in and out of the country.

Indonesia

Army Chief Identifies Two in Liquica Incident

BK0304131195 Jakarta Radio Republik Indonesia Network in Indonesian 1200 GMT 3 Apr 95

[FBIS Translated Text] Two Indonesian Army officers are believed to have violated legal procedure in the Liquica incident in East Timor. Speaking to reporters this evening, Army Chief of Staff General R. Hartono said investigations will be carried out against the two officers.

[Begin Hartono recording] The investigating team proposed to me that legal action must be taken against those who had violated existing regulations. If there are grounds for legal action, the suspects will be handed over to the military police, who will interrogate them and prepare a report for the military prosecutor, who will in turn submit a report to the martial court. This action will be taken against those believed to have violated legal procedure. [end recording]

Hartono said there was a violation of legal procedure in Liquica on 22 November 1994, namely an illegal action against detainees. During the press briefing this evening, Hartono stressed that the six villagers shot to death in the Liquica incident were indeed involved in the GPK [Security Disturbance Movement] activities. Two, namely (Osario Soares) and (Americo Araujo), were armed by the GPK, while the remaining four were GPK sympathizers.

Resistance Group on East Timor 'Maneuvers'

BK0304141895 (Internet) INDONESIA Listserv in English 1733 GMT 31 Mar 95

["Press Release of the CNRM," National Council of Maubere Resistance, issued on 31 March; place not given: "Indonesia's Latest East Timor Manoeuvres; Salzburg Intra-Timorese Meeting Postponed"]

[FBIS Transcribed Text] The UN Secretary-General's office has just informed East Timorese invited to an intra-Timorese dialogue to be held in Salzburg on April 24, that the event has been postponed to a date in June to be fixed. Indonesian pressures on the UN in recent

days had put the meeting under increasing danger. Jakarta once again bears the responsibility of impeding progress towards a genuine resolution of the East Timor conflict.

The National Council of Maubere Resistance (CNRM), the umbrella organisation of all forces struggling for the right of self-determination of the East Timorese people, strongly deplores the postponement of the intra-Timorese talks and accuses Jakarta of full responsibility for this setback. Indonesia has clearly proven to be afraid of a genuine dialogue between exiled East Timorese leaders and their fellows under its yoke.

During the fifth round of talks last January in Geneva, as one of the few positive outcomes achieved so far, the Foreign Ministers of Indonesia and Portugal reached agreement for intra-Timorese dialogue to be held under the auspices of the UN. The failure of Jakarta's farcical London 'reconciliation meetings', aimed at derailing the UN process of search for a solution of the East Timor issue, left Indonesia with little choice but to agree.

Indonesia's subsequent insistence that the UN only acts as a facilitator of the dialogue once again betrays Jakarta's duplicity. Its intention to use the dialogue as a platform for its puppets and clients became evident once the UN invited some of the truly independent voices left in East Timor. Participation of outspoken Bishop Ximenes Belo, pro-integrationist critic of the current situation in the territory Florentino Sarmiento, of the young university Vice-rector Armindo Maia, and of other articulate commentators on the deplorable present situation, proved too risky for Jakarta. True to its style, Indonesia used clients such as the expelled Fretilin [Revolutionary Front for an Independent East Timor] leader Abilio Araujo, chief collaborator in the London 'reconciliation meeting', to echo Indonesia's position overseas. It raised idle objections about the UN's mandate for the meeting. At home in Dili, a crowd of allegedly 5,000 people were coercively mobilised into taking part in an anti-UN demonstration.

In the face of these manoeuvres, CNRM reaffirms its basic position in defence of the right of self-determination and independence of the people of East Timor, fully supporting UN efforts to this end. Stressing CNRM's availability to participate in any meeting in conformity with the Geneva agreement, the CNRM Special Representative has said that CNRM would "at all times endeavour to contribute to a climate of understanding and frank and open dialogue on the most pressing problems facing the East Timorese people".

These problems include: the need to end the human rights violations perpetrated by the Indonesian military forces of occupation, the necessity for their immediate and complete withdrawal, and the need for appointing a neutral UN-trained peace keeping force. A permanent UN presence, through its Specialised Agencies and a representative of the UN High Commissioner for Human Rights, are very urgent priorities.

Jose Ramos-Horta, Lisbon: Phone +351 1 60570

Philippines

Ramos Condemns Destruction of Spratlys Environment

BK3003045795 Quezon City Radio Filipinas in English
0230 GMT 30 Mar 95

[Weekly news conference by President Fidel V. Ramos before domestic and foreign correspondents at Malacanang Palace in Manila on 29 March—recorded]

[FBIS Transcribed Excerpt] [Passage omitted] [Unidentified correspondent] On the same subject of communications between various governments, it seems that China is now requesting that the fishermen from Spratlys, now in Palawan be released. Can you tell us what is the status now of those fishermen and their fishing boats?

[Ramos] Yes, I have in fact a press statement on this matter and let me read this to you:

Last Saturday, 25 March 1995 at 0730, Philippine Armed Forces personnel on board two Philippine Navy vessels—these are small vessels—apprehended 62 fishermen on board four Chinese fishing vessels near Hasa-hasa—that is Philippine term, which is the name of a fish—otherwise known as Half-Moon Shoal, which is 50 nautical miles away from western Palawan in the Palawan Island Reef. These vessels were spotted from there but they have no permission to enter [word indistinct] within Philippine territory. Please note the distance from the Western Palawan shelf, 50 nautical miles, just like the distance between here and (Fortune) Island here in Batangas Bay.

Upon closer examination, on board these vessels were found 40 live and 40 dead sea turtles, or pawikan as we call them, which are native to the sea, which species of sea turtle is included in the internationally recognized list as most endangered species; species of red and blue corral, which takes many (?generations) to develop, and this is crucial to the eco-system of the area, were also found. Twenty liters of cyanide, several hundreds sticks of dynamite, and bundle of fuses were also found on these Chinese vessels. All these are not only in full violation of Philippine laws but also of the norms of international law of the sea and the environment, which deserves condemnation by the international community.

This afternoon the PNP [Philippine National Police] provincial director of Palawan will file charges against the Chinese fishermen on the grounds of illegal fishing and illegal possession of explosives. The case for illegal entry, being an administrative case, will be handled by our Bureau of Immigration, where 62 Chinese fishermen have been detained at the provincial jail in Puerto

Princesa, since last night [28 March]. They have been taken very well and given adequate food and medical care.

The Chinese Embassy in Manila was informed of these developments by our Department of Foreign Affairs today [29 March]. In this connection, the Philippine Navy was forced to destroy various structures, which were found to be made of metal frames and remove matters with Chinese characters, and these were in the following places: (Alilying) or Thomas 2 Shoal, which is 95 miles from Western Palawan; Bilig, or Thomas 1 Shoal, 78 miles from Western Palawan; Hasa-hasa, again, Half Moon Shoal, 50 miles from Western Palawan; and Pennsylvania Reef, which is 56 miles from Western Palawan.

The Chinese themselves have brought international attention to their activities, in these islets and shoals of the South China Sea, by their actions in contributing to the destruction of the environment in the region. If these structures are meant to shelter these kind of fishermen, who have no regard for debilitating environment and only wish to profit from its wanton destruction, then there is enough reason for these structures to be removed from Philippine territory.

The Philippine Government is committed to continue addressing the issue of Panganiban or Mischief Reef, which is 135 miles from Western Palawan, as well as the conflicting claims in the South China Sea, through peaceful dialogue and through diplomatic channels. I am confident that all parties will come to a mutual understanding and that the peace and stability of the region, the Asia-Pacific region, will be maintained under the Manila Declaration of 1992. [passage omitted]

Columnist Views Escalating Tensions in Spratlys

BK0404102195 Manila MANILA STANDARD in
English 30 Mar 95 p 10

[From Alex Magno's column: "Escalation in the Spratlys"]

[FBIS Transcribed Text] Five Chinese fishing boats are now being detained by Philippine authorities.

The boats were found fishing in waters claimed by the Philippines. The vessels and their crews were promptly arrested.

Just as promptly, Beijing issued a protest and demanded the immediate release of their nationals. As of Tuesday, Manila has yet to respond to the Chinese demand.

The escalation of the simmering Spratlys dispute between the Philippines and China took a major leap over the last few days.

It has been reported that Philippine Air Force planes have been doing target practice around Chinese-occupied Panganiban Reef, blasting away markers put in by the intruders.

This is not an idle exercise. It is both symbolic and functional. The bombings inhibit the feasible entry of more Chinese ships into the treacherous shoals. It is also a way of demonstrating Filipino resolve in pursuing our territorial claims.

The Philippine military is, reportedly, looking for a way to scuttle the main platforms constructed by Chinese crew on Panganiban Reef without a direct armed confrontation with the intruders. The possibility of direct action on the platforms remains large.

If we did nothing on the ground and relied entirely on the work of our diplomats deployed to Beijing, it is nearly certain that the Chinese will continue their buildup in the area.

With boundaries being redrawn for the benefit of the UN Convention on the Law of the Seas (UNCLOS), it is important for China to establish her presence in the disputed islands. It is, similarly, crucial for the Philippines to reinforce her own claims.

Because of this, the situation in the Spratlys is bound to heat up.

Our Burden

Much of the work of forcing China to behave according to the terms of the Manila ASEAN Declaration on the South China Sea will have to be done by the Philippines—alone.

In the first place, the islets the Chinese have chosen to occupy are closest to metropolitan Philippine territory. Panganiban is closer to Palawan than the Kalayaan Island base that the Philippines has maintained.

It is unlikely that the other claimants—as well as our other allies—will be willing to be overtly involved in the escalating situation on Panganiban Reef.

Everybody else adopted the convenient diplomatic posture of holding the Panganiban Reef dispute as an entirely bilateral matter between China and the Philippines. As such, it must be resolved within the bilateral framework.

Japan has signaled China on its preference for the Manila Declaration to be the guiding framework for resolving the Spratlys dispute. The ASEAN countries have reiterated their preference for a peaceful resolution of the contending claims.

For its part, the Philippines has vigorously pursued talks with their Chinese counterparts on what it holds to be blatant infringement of its territorial integrity.

The first round of these talks, in which the Philippine panel was led by Foreign Affairs Undersecretary Rodolfo Severino, produced no significant results.

China appears to be hedging. It could be playing for time so that the Chinese Navy could enlarge its presence and make eviction a much more difficult proposition.

Escalation

Time is not on the side of the Philippines.

The longer we let this problem drag out, the larger the Chinese presence on Panganiban Reef is likely to be. Beijing appears to be determined to enlarge Chinese presence in the contested Spratlys, where she wants to make her stake more permanent.

The Philippines is the most vulnerable claimant country. Our navy is a joke—and our government has established a record for making concessions in the name of regional harmony.

After the departure of the U.S. bases from the archipelago, our air space and territorial waters have become porous. Because of our long dependence on the U.S. military for strategic protection—and because our public opinion has always been hostile to investments in national defense—we do not have the hardware required to credibly assert our territorial claims.

The Chinese Navy would not have attempted to build the same structures they now have on Panganiban Reef on the islands claimed by Vietnam.

The Vietnamese have a record of responding furiously to any encroachment on their territory. They bloodied the Chinese Army when it ventured in a “punitive” action across the border in 1978. Then they overwhelmed a military base China attempted to put up on one of the islands Vietnam claims.

We have no such fierce record to bank on in our current effort at convincing China of the firmness of our intent in defending our claims. Neither do we have the military hardware for a sufficiently impressive show of force.

The best we can do is send out our patrol boats to apprehend foreign fishermen straying into our territory and have our scrappy old fighter planes bomb markers in the middle of the sea.

Short-handed and ill-equipped, we have to make do with what we have. We have no other choice.

Resolution

The minimum the Philippines expects is full Chinese withdrawal from Panganiban Reef.

There is, at the moment, no indication that Beijing is disposed towards that. An abrupt withdrawal will definitely constitute loss of face.

The bilateral trade and commercial relations between the Philippines and China are not of such magnitude and intensity that they will be the determinant consideration, over and above whatever strategic value or natural resource the little reefs in the South China Sea might hold.

In the meantime, both countries will probably settle down for a low-grade "war of attrition" on the lonely islands of the South China Sea.

The Philippines will maintain intensive naval patrolling of the areas and occasional bombing sorties of Chinese markers. While these will not force a Chinese pull out, it will make their stay uncomfortable.

For their part, the Chinese will try to weather diplomatic pressures and the inhospitability of Filipinos to maintain their presence—without allowing a gross deterioration in the regional balance.

The situation will be long drawn-out.

Police Charge 'Suspected Arab Terrorists'

BK0404021695 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 2230 GMT 3 Apr 95

[FBIS Translated Text] The six suspected Arab terrorists arrested in a raid in Caloocan Saturday have been charged by the police with illegal possession of firearms and explosives. Caloocan City Fiscal Salvador Quimpo recommended no bail for the Arabs. The group's leader, (Hadi Yusef Agul), strongly denied the accusations.

[Begin unidentified suspect recording, in English] I am innocent. You put guns—you put that—you put everything. But you are killing me slowly now; you are torturing me, you are... [pauses] I do not know. You kill me; shot me. It is alright. This is not lawful. You kill me. It is alright. You use the gun. [end recording]

According to the wife of one of the suspects, the police planted the evidence taken from the house the authorities raided.

[Begin Fatima recording] They said they were from the CIS [Central Intelligence Service]. They blindfolded them, ordered them to lie with their faces down, and handcuffed them. They did not know what was planted inside. It seems like they placed something inside. Later they removed the blindfolds. Then they were made to sit. Then the CIS said they were going to search and they found many things. [end recording]

The police are confident they have strong evidence to negate Fatima's accusations.

The PNP [Philippine National Police] has stepped up its surveillance of international terrorists in the country. The police made this announcement after arresting the six Arabs suspected of being members of a terrorist group. The PNP admitted that Ramzi Ahmad Yusuf's terrorist group is active in recruiting Filipinos who may want to join his group. Yusuf is believed to be one of the masterminds behind the World Trade Center bombing in New York, the Philippine Airlines disaster last year, and the plot to assassinate the pope when he visited the country in January.

Police Claim Yusef's Group Still Active

BK0404091695 Quezon City DZBB Radyo Bisig Bayan in Tagalog 0800 GMT 4 Apr 95

[FBIS Translated Text] Philippine National Police [PNP] officials have said that the remaining members of the international terrorist group headed by Ramzi Yusuf continue to recruit new members. According to a PNP official, despite the discovery of the terrorist group's plan, the group continues to recruit Filipino and foreign nationals as members. A PNP intelligence officer said the six suspected Muslim terrorists arrested in Kalookan City were preparing for a series of bombings to disrupt the 8 May elections.

However, Superintendent Elnora Bernardino, director of the Bataan PNP, said her police intelligence agents raided a terrorists' camp in Kopang, Balanga in Bataan. At a safe house, they seized names of the new recruits, including Filipinos.

Meanwhile, the PNP Criminal Investigation Service Command and the Bureau of Immigration and Deportation have coordinated to closely watch all foreign Muslims entering the country.

The step taken by the PNP and the immigration bureau was in relation to the arrest of six Arabs suspected of being members of an international terrorist group headed by Ramzi Yusuf. Police officials said many terrorists easily enter the country in disguise.

Muslim 'Bandits' Raid Town in Zamboanga del Sur

BK0404111595 Quezon City DZBB Radyo Bisig Bayan in Tagalog 0800 GMT 4 Apr 95

[FBIS Translated Text] [Lito Villarosa, DZBB News Anchorperson] Bandits have raided Ipil Town in Zamboanga del Sur after 1200. According to an initial report from the military's Southern Command, seven banks were held up by the Moro National Liberation Front Lost Command, and some business establishments were also robbed and set on fire.

Major Terry Cobarrubias of the Southern Command reported that even the municipal hall of Ipil was set on fire and is still burning.

Authorities cannot confirm as of this moment where the bandits, armed with assorted firearms, came from. Cobarrubias failed to report if there were injured in the incident, but a report stated that 100 civilians were killed.

The Southern Command also reported that the incident is now under control by the 102d Infantry Brigade of the Philippine Army, which is near the site. Cobarrubias added that the police and military are surrounding the town and have cornered the bandits at a plantation.

Ipil Town is the second town raided by the bandits after they kidnapped some 35 miners yesterday in another

town of Zamboanga del Sur. From Camp Aguinaldo, here is Ira Panganiban, live:

[Panganiban] General Arturo Enrile, Armed Forces of the Philippines [AFP] chief of staff, just concluded his news conference. He ordered the AFP's Southern Command [Southcom] to oversee and ensure the safety of Mindanao residents, especially in Zamboanga del Sur and Zamboanga del Norte, where the Muslim rebels have reactivated.

Enrile said he has ordered the Southcom to lead in the operation in Ipil and conduct pursuit operations and arrest—no matter what happens—the Moro National Liberation Front Lost Command rebels who attacked Ipil in Zamboanga del Sur. Enrile said, citing a report received, the area of Ipil is now under control, including those areas where the incident happened.

Enrile sadly reported that almost the entire center of Ipil was gutted by fire as a result of the siege by some 200 Muslim rebels at 1230. Enrile added that the injured persons were brought to Ipil General Hospital, and some of those wounded were rushed to the Southcom General Hospital for treatment. The dead are still in the area of siege and are still being accounted for by the AFP and the Philippine National Police [PNP].

[Villarosa] So, how many are confirmed killed and wounded?

[Panganiban] So far, the confirmed killed are 55 more or less, based on the official report. The wounded ones are still unaccounted because there are so many, allegedly, and they are crammed into Ipil General Hospital. Those brought to a small medical center in Ipil were flown by a Huey helicopter and MZ-250 helicopter sent by [word indistinct]. Others will be flown to the Southcom General Hospital in Zamboanga City. Those who sustained only minor injuries were told to remain in Ipil and were sent home. Based on the report, there were really many people injured.

[Villarosa] What about those miners abducted by the bandits in Zamboanga del Sur?

[Panganiban] We have not tackled this issue yet, because Enrile's news conference was a quick one. After he gave a statement, he left immediately because there are still some things to take care of in Ipil.

[Villarosa] Maybe we can ask Enrile about the relationship of the invasion to the arrest of six Arabs suspected as terrorists and the arms landing in Sultan Kudarat on 31 March.

[Panganiban] Earlier, we asked that question of PNP Spokesman Arturo Lumibao. He said that as of now, that speculation is too premature.

[Villarosa] This is not a speculation. We are not speculating here. What we are wondering is why these incidents coincided.

[Panganiban] Right. Well, anyway, we asked him that question, and his answer was that that speculation is too premature. However, they will also look at the relationship, because as of now the information reaching us is that Abu Sayyaf members were the ones who invaded Ipil. We also asked the PNP regarding our latest report this morning about the six terrorists' strong connections to the Abu Sayyaf, and the PNP denies the connections.

Thailand

Article Details Ruling Against U.S. Firm

BK0404023695 Bangkok PRACHACHAT THURAKIT in Thai 3 Apr 95 pp 1, 21

[FBIS Translated Text] According to Juridical Council member Plang Michun, the full council meeting on 30 March reached a majority decision not to allow Phaisan Insurance to cite Article 115 of the 1992 Non-Life Insurance Act to open 11 branches. About 40 members attended the council meeting and deliberated for about an hour to interpret this law. Plang said now that the council has made a decision, the next step is up to the government. The government requested interpretation of one point—whether branches can be opened—it did not ask for a solution if this was not allowed.

According to a council source, only one member voted during the council meeting to allow the branches to open. The majority of members reasoned that for Phaisan to be able to open branches it had to meet the conditions of Article 6. Regarding Deputy Prime Minister Suphachai Phanitchaphak's question about Article 115, for this to be applicable Phaisan must be seeking to legalize existing branches that do not comply with the law. Article 115 does not apply to insurance companies that could not open branches in the first place, as is the case with Phaisan.

"The interpretation basically says that because Phaisan does not meet the conditions of Article 6, Article 115 is not applicable. The council member who felt that Article 115 was applicable believed the article was special and provisional. He voiced the same interpretation during the meeting of the smaller Law Drafting Committee."

Another council member disclosed that a Commercial Economics Department official gave an explanation to the full council meeting before its interpretation. As secretary of the International Economic and Trade Policy Board [IETPB], the official had to give an explanation in Suphachai's place. The explanation took about a half an hour. Deliberation of Article 115 followed, during which only two or three people spoke. The meeting then voted.

"From discussions with Tirana Phongmakphat, adviser to Deputy Prime Minister Suphachai, many council members understand the dilemma facing the IETPB, which is trying to find any possible loophole in the 1992 Non-Life Insurance Act to help Phaisan. The

Law Drafting Committee looked at every article in the 1992 act, but there was no solution."

To reach a solution by amending the 1992 act is a matter for the future. It is a big issue that will take a long time in parliament. It will not be an issue involving only the United States; it will have to be brought up in the GATT, which will have to set a date for the liberalization of the insurance sector and specify by how much. The easiest solution for Phaisan is to change its board and shareholders to comply with the ratio stipulated by law. Without the change it will definitely be impossible to open branches.

A Government House source disclosed that Deputy Prime Minister Suphachai wrote to the council on 23 December 1994 in his position as IETPB chairman. The letter noted that the first meeting of the subcommittee on the development of relations and cooperation between Thailand and the United States on 13 October 1994 discussed the Thai position regarding Phaisan's request to open branches. It reached the view that Phaisan is registered in Thailand and thus should be regarded as a Thai company. Phaisan received a permit to operate a non-life insurance business in accordance with the 1967 Non-Life Insurance Act. It had an office separate from the main office, operating in a representative capacity with operating expenses paid by the main office.

When the 1992 Non-Life Insurance Act came into existence, it contained Provisional Article 115 requiring companies operating offices separate from the main office to apply for branch permits within one year. Phaisan applied for permits for 11 branches on 25 August 1992, within the specified time. For this reason, the company should be allowed to open branches. The council should be asked to make another interpretation as to whether Phaisan is entitled to apply to open branches in accordance with Provisional Article 115 of the 1992 Non-Life Insurance Act. There were other legal issues for council interpretation as well, and the subcommittee thus requested, by virtue of the cabinet decision on 16 August 1994, that the council give its interpretation.

The council made the interpretation on two earlier occasions that Phaisan cannot open branches, citing the same reasons. The latest interpretation was made in January by Panel No. 1 of the Law Drafting Committee headed by Plang Michun. Earlier, the council ruled that four foreign insurance companies that fell into the same category as Phaisan could not open branches by virtue of the 1992 Non-Life Insurance Act.

According to Dr. Tirana Phongmakphat, chief adviser to Deputy Prime Minister Suphachai, Deputy U.S. Trade Representative Robert Cassidy called on him before the council made its latest interpretation to discuss the opening of Phaisan branches. He said the United States regards this as a big issue and feels it is moving slowly considering how long it has been pending.

Cassidy was told that it is not a policy issue and that Thailand has already liberalized its insurance sector even more than GATT requires. The Phaisan issue involves a legal snag concerning the interpretation of the old law.

"Thailand has worked very hard on this issue, even though it involves only one company. It was brought up in the cabinet and the Juridical Council was asked to interpret Article 115. Thailand also took bilateral relations into consideration. The USTR should consider this issue thoroughly and not listen to one-sided reports. This issue involves legal complexities."

Tirana said considering past U.S. efforts and the importance it attaches to the Phaisan branches issue, he believes the United States will cite new reasons or agreements in arguing for the issue to be reconsidered, even though the council has already made an interpretation that the opening of branches is not legally permissible.

"We have already explained our insurance sector liberalization policy, and the council has ruled more than once that the opening of branches is legally not permissible. This is an issue that involves interests. AIG [American International Group—Phaisan's parent company]—or its insurance business group—has considerable influence. It will probably lobby the USTR to continue pursuing this issue using other reasons to resume negotiations, particularly concerning its wish for us to consider it in the framework of the Thai-U.S. Amity Treaty. It has asked several times about the interpretation of the treaty. The council already interpreted that we do not regard the treaty as having the same status as the Non-Life Insurance Act. The Foreign Ministry will probably have its hands full trying to explain this to them."

Regarding Thailand's position, Dr. Tirana said that he conveyed the preliminary Thai position to Cassidy. The views of the Commerce and Finance Ministries and legal specialists will be collected next week and forwarded to the IETPB meeting.

Meanwhile, Robert Cassidy, Deputy Prime Minister Suphachai, Deputy Foreign Minister Surin Phitsuwan, and Surakiat Sathianthai, dean of Chulalongkorn University's Faculty of Law, met during a seminar at Khao Yai National Park on 31 March and 1 April.

Opposition Leader Proposes Talks on Spratlys

*BK0404071595 Bangkok BANGKOK POST in English
4 Apr 95 p 7*

[FBIS Transcribed Text] Opposition leader Banhan Sinlapa-acha yesterday proposed that Thailand should be the venue for talks to peacefully resolve the escalating conflict over the Spratly islands, an oil rich chain of islands in the South China Sea. He said the round-table meeting is intended to draw for the first time all claimants to the islands for talks, and to help prevent the

conflict from turning explosive in the near future. Talks could include the possibility for joint development, he said.

Mr. Banhan made the proposal during a meeting with Foreign Minister Krasae Chanawong yesterday, coinciding with the opening of the first meeting of senior officials from the Association of Southeast Asian Nations (ASEAN) and China in Beijing yesterday. The disputed islands is high on their agenda.

"Now ASEAN is discussing the issue with China in Beijing. If no country will host the forum, the Thai government should host such a meeting which would be the first step to resolve the dispute over the Spratly islands," said Banhan, who is also the leader of the Chat Thai Party.

Mr. Banhan last week voiced his concern over conflict during talks with Australian Foreign Minister Senator Gareth Evans. He paid a three-day visit to Australia as guest of Senator Evans. He said the conflict might inevitably turn explosive if no attempt is made to peacefully settle the dispute.

The chain of mostly barren islands is believed to be the source of rich oil and mineral deposits. China, the Philippines, Vietnam, Malaysia, Brunei and Taiwan claim part or all of the islands. There are reports that all claimants, except Brunei, have deployed troops in the area.

Mr. Banhan also said all claimants should turn to joint development of the area, similar to the arrangement between Thailand and Malaysia for the overlapping areas between the two countries in the Gulf of Thailand. The problems of the islands can be resolved, if the claimants can share the benefits, he said.

Meanwhile, Dr. Krasae said it will take some time to discuss Mr. Banhan's proposal with concerned countries, but noted the proposal reflected the opening of a new era in politics. As a neighbouring country, Thailand would like to see the conflict resolved peacefully said Mr. Banhan.

Dr. Krasae said the proposed joint development was a positive option which all countries have already studied. Recalling the meeting he had earlier with Senator Evans, Mr. Banhan said Australia would like to be more involved with ASEAN.

"It would be more beneficial to ASEAN if Australia could participate in the ASEAN Free Trade Area (AFTA)," he said.

Mr. Banhan expressed his optimism over developments in Burma, saying that it would take time for democracy to take root in that country.

"China and India including countries which have invested a lot in Burma should talk with the Rangoon government so that it would become more democratic," said Mr. Banhan.

Editorials Comment on Spratly Islands' Situation

Notes Competing Claims

BK0404033295 Bangkok BANGKOK POST in English
3 Apr 95 p 4

[Editorial: "Southeast Asia's Most Volatile Island Group"]

[FBIS Transcribed Text] If the unthinkable happens in coming months and there is war in this region, the conflagration will likely be lit in the Spratly Islands. This isolated and inhospitable place, halfway between southern Vietnam and the Philippines, seems an unlikely prize. But six nations claim the barren atolls and South China Sea waters which make up the group. China, Taiwan, the Philippines, Vietnam, Malaysia and Brunei all covet the Spratlys for a variety of reasons. But they all have one desire for the future, and that is to pump and sell the oil and gas which almost certainly is in rich supply in the Spratlys.

Wrangling, disputes, fighting and near-war have marked the last 20 years of the Spratlys. The last serious fighting was a sea battle between Chinese and Vietnamese naval forces in 1988 that came dangerously close to outright warfare. Since then, claimants to the Spratlys have been unable to resist tweaking the others. Most recently, China has conducted a flurry of construction in the archipelago. Peking forces have done little more than reassert China's claim to the group, but other countries have taken it badly. The Philippines navy has seized five Chinese fishing boats for allegedly operating in disputed waters, and dynamited Chinese markers. Taiwan has sent armed patrol boats to the area.

None of these moves are reassuring to the many Spratlys claimants, or to South and East Asian neighbours. Although there appears little danger of outright war over the Spratlys for now, the escalation of tensions is worrying. On paper and in diplomatic meetings, all six claimants to the Spratlys are on record as favouring a peaceful, negotiated settlement to the problem of the islands. On the ground, and in the many information and propaganda outlets, it is often a different story.

For example, a Chinese foreign ministry spokesman said blandly last week: "China has indisputable sovereignty over the Nansha (Spratly) islands. It has every right to set up markers there." This seems like a harsh statement from the government office claiming it will ensure the Spratly problem will be settled by diplomats. Spokesmen in Taiwan and, especially, the Philippines have been just as undiplomatic in their pronouncements.

China has taken a curious stand on the Spratlys. It has ruled out a regional conference of all claimants. Instead, China wants to talk to other countries one-on-one, stating that only bilateral talks can solve the claims. China has also demanded that Taiwan—which has long claimed to be the true government of China—follow Beijing's policy. This is a forlorn hope at best, but may

serve to isolate Taiwan from meaningful talks over the Spratlys. Similarly, by building on the Philippines-claimed Mischief Reef, China appears to be testing one of its most militarily weak opponents. Philippines officials have said openly their navy would be hard pressed to patrol the Spratlys.

Vietnam may be banking on its coming membership in ASEAN next July to help it form a bloc to oppose China—and Taiwan—over the Spratlys. Since its costly battle with the Chinese navy more than six years ago, Vietnam has favoured regional talks to settle claims on the islands. Hanoi should shelve any such hope. As a group, with or without Vietnam, ASEAN need take no stand for or against any nation on the future of the Spratlys. The interests of Thailand, Singapore and Indonesia are clearly to promote diplomatic negotiations over the disputed regions. ASEAN should take no side—except the side of a peaceful settlement.

China has made its point, if indeed there was one to make in the first place. Peking would be well advised to rein in its Spratlys force and resume co-existence in the area for now. All nations in the area are vitally aware of the Spratlys dispute and the various claims. Unilateral action by any country is suspicious at best, and can lead to quick and dangerous escalation at worst.

A cool-headed settlement for the Spratly Islands dispute is essential for Southeast Asia. Whatever riches may lie below the controversial group are not worth war. Whether bilateral or multilateral talks are the chosen method is up to those involved in the disagreement. It should be clear that armed conflict is unacceptable. We must expect all sides to press aggressively on the islands, but only in diplomatic ways. The claims on the Spratlys must be settled peacefully.

Urges 'Tough' ASEAN Stand

BK0404101995 Bangkok THE NATION in English 4
Apr 95 p a4

[Editorial: A Tough ASEAN Stand Will Halt China's Spratly Games"]

[FBIS Transcribed Text] With dynamite and armed boarding parties, the Philippines is employing high-risk, low-intensity military action in a potentially explosive confrontation with China in the contested Spratly Islands.

Developments in the South China Sea chain over the past three months have centered on eight atolls, reefs and shoals nearest to the Philippines territory, with Beijing installing naval vessels and permanent observation posts on Mischief Reef.

The Filipino navy and air force then increased patrols and began destroying stilt-like metal structures and territorial markers put up by the Chinese forces in seven surrounding spits. Two weeks ago, Manila seized four fishing vessels and detained 62 Chinese fishermen.

This is the first time that China has occupied territory in the Spratlys claimed by a member of ASEAN, although Beijing has been seizing territory in the South China Sea from Vietnam since it took the Paracel Islands in 1974. Mischief Reef is also the southernmost point Beijing has occupied in the South China Sea, and is at the limit of its claimed sovereign sea areas. China says it has established a guard post on territory, "long claimed as its own, in order to provide shelter for fishing vessels."

Though ASEAN and China began their first formal consultations in Hangzhou yesterday, no one however seems prepared to halt Beijing's irredentism. The Chinese on the other hand have been astute enough to ensure that their territorial claims are never dramatic enough to inspire a forceful regional and international response.

The prime attraction of the Spratlys is their claimed reserves of oil and natural gas, where estimates vary dramatically from 1.0-17.7 billion tons. Though commercial quantities have not yet been discovered, oil discoveries in the coastal waters of the Philippines, Malaysia and Vietnam are encouraging. China's position as a net oil importer has led Beijing to strengthen its claim in the area.

Although a joint Soviet-Vietnamese venture has been producing oil at its periphery since 1986, serious contention over oil exploration began in May 1992, when China granted an exploration concession to the US-based Crestone Corporation, to search for oil in the Vanguard Bank area, claimed by Vietnam.

In May last year, China protested against the Philippines' decision to grant a unilateral licence for "desktop" data collection (rather than on-site work) to the US company Vaalco Energy and its Philippine subsidiary, Alcorn. However in June, the Philippines invited China to become a partner in the project.

China's participation in a multilateral security dialogue within the ASEAN Regional Forum, which held its first working session in Bangkok last July, led to optimism that Beijing was willing to moderate its irredentist claims. Such optimism was dashed quickly by China's seizure of Mischief Reef.

The sovereignty dispute in the Mischief Reef as well as the Senkaku Islands dispute with Japan is a result of the strong Chinese belief that territories which belonged to China must remain in its possession forever. Hence lost territories must be recovered when the opportunity arises, although no timeframe is given.

Also in global terms, control of the South China Sea is very important strategically and economically because the marine territory straddles sealanes linking the Pacific and Indian Oceans. The Spratlys are hence vital to China because of strategic and security considerations.

One of the underlying motivations of China's foreign policy towards Southeast Asia is to ensure that its

southern flank is free from domination by any other major power. China worries that in times of war, its economic supplies and the growing external trade could be cut off by an enemy in the South China Sea. The enemy could use Itu Aba Island, as Japan did in the 1940s, to launch an attack against China's southern flank.

With the collapse of the Soviet Union and the end of the US presence in the Philippines, China sees a golden opportunity to reassert itself in the Spratly archipelago. Control of the South China Sea will enhance Beijing's bargaining power, vis-a-vis other major powers in the region and increase China's prestige and influence.

Because of this, and due to the fact that the Philippines' territorial integrity has been violated, ASEAN must stick to a unified position on the Spratlys (as agreed upon in Singapore earlier), in the regional grouping's dialogue with China.

Like it or not, China will set the rules of the game in the South China Sea. Beijing's proposal to shelve sovereignty issues over the Spratlys, and its advocacy of joint development is only a means to an end.

Vietnam

Radio Commentary Reviews Spratly Conflict

BK0304162895 Hanoi Voice of Vietnam in English 1000 GMT 3 Apr 95

[Station commentary]

[FBIS Transcribed Text] The world is paying close attention to the situation in Truong Sa or Spratly Archipelago following the dispute between China and the Philippines over the Van Khanh Island. Here are samples of their attention.

Van Khanh Island in the Truong Sa or Spratly Archipelago known to China as (Meijing) and to the Philippines as Mischief is now under dispute. The Philippines said it was because China sent troops there to build a base to support its Navy. Meanwhile, China said they were not construction projects but were fishermen's bases. They were built by low-ranking officials without the knowledge of Beijing. The world, especially the Asian press, has sympathized with the Philippines' concern and provided new evidence of this issue.

The Hong Kong newspaper, the STANDARD, in its February 14 issue said that China has moved closer to a large-scale construction plant and occupation on the Spratly Archipelago. A research program to prepare for immigration of people and to build and strengthen the Chinese armed forces in the area has been conducted in recent years. The Japanese newspaper YOMIURI in its February 14 issue also said that according to the Defense Research Institute under the Japanese Defense Department, and on the basis of related photos made public by

the Philippine Government, there were many possibilities that Chinese construction projects in Mischief Island were built for military purposes. China and the Philippines have held talks on the issue but regrettably they have reached no results. This has caused great concern to world public opinion. ASEAN foreign ministers met on March 18 and expressed their profound concern over the issue. The spokesman for the Vietnamese Foreign Ministry also issued the statement sharing this concern with ASEAN countries and reaffirmed the sovereignty over the Paracel and Spratly Archipelagoes.

Vietnam also demanded that this issue should be resolved through peaceful negotiations. It said all sides should maintain the status quo to avoid complicating the situation. These are sensible procedures for a temporary solution to calm down the East Sea issue.

Iranian Foreign Minister on Official Visit

Met by Counterpart

BK3103152395 Hanoi VNA in English 1433 GMT 31 Mar 95

[FBIS Transcribed Text] Hanoi VNA March 31—Iran's Foreign Minister [FM] 'Ali Akbar Velayati arrived here this afternoon beginning a three-day official visit to Vietnam as guest of Foreign Minister Nguyen Manh Cam.

FM Velayati and his entourage were received on their arrival at the Government Guest House by FM Cam. Also present at the welcome ceremony was Iranian Ambassador R.H.M. Taheri.

This is the highest-level visit to Vietnam since the diplomatic relationship were established in August 1973. The visit is aimed at the promotion and implementation of agreements signed by President Le Duc Anh during his visit to Iran in May last year, and the creation of an Intergovernmental Commission for Economic, Scientific, Cultural, Technological, and Trade Cooperation.

In the evening Mr. Cam gave a reception in honour of the Iranian chief diplomat and his entourage.

The two foreign ministers will discuss international and regional of common interest. The Iranian minister is also scheduled to meet President Le Duc Anh and Prime Minister Vo Van Kiet.

Stresses Ties

LD0104101595 Tehran Voice of the Islamic Republic of Iran First Program Network in Persian 0930 GMT 1 Apr 95

[FBIS Translated Text] Our country's foreign minister, who is visiting Hanoi, met with the Vietnamese president and foreign minister this morning. During the meeting the Vietnamese president stressed the importance of ties between Hanoi and Tehran and expressed

the hope for the further strengthening of the two countries' relations within the framework of the agreements reached in the two countries' presidential talks as well as the current talks.

Mr. Velayati, giving a message from our country's president, described the trend of pursuance and implementation of earlier agreements and the continuation of discussions between the two countries' officials as satisfactory and stressed: Bearing in mind the two countries' common experiences in the fight against arrogance, the Islamic Republic of Iran welcomes further expansion of ties.

At the meeting, Mr. Velayati and the Vietnamese foreign minister described the two countries' mutual understanding and the two countries' potentials for lasting and long term cooperation as suitable, and he stressed that they will make efforts to that end. The Vietnamese foreign minister requested Iran's experiences in the fields of road construction, pharmaceuticals, oil exploration, extraction and refining, fertilizer production, and refinery construction.

Mr. Nguyen Manh Cam, the Vietnamese foreign minister, also announced that Hanoi seeks Tehran's cooperation for access to the Central Asian and Caucasus markets.

Views Ties With Le Duc Anh

BK0304060995 Hanoi VNA in English 1450 GMT 1 Apr 95

[FBIS Transcribed Text] Hanoi VNA April 1—Vietnamese leaders received here today Iran's Foreign Minister 'Ali Akbar Velayati, on an official friendship visit to Vietnam.

Speaking to his guest, President Le Duc Anh described the former's visit as a step further in the continuing development of the Vietnam-Iran cooperation. He said that on the basis of their fine friendship, the two nations should further promote the mutual cooperation in economy, commerce and technology transfer for the interest of the two peoples.

President Anh asked the Iranian chief diplomat to convey his invitation to Iranian President Rafsanjani to visit Vietnam.

Meeting with Prime Minister Vo Van Kiet this afternoon, Iranian Foreign Minister Velayati informed his host of the results of his talk with Foreign Minister Nguyen Manh Cam, stressing on the determination of both sides to overcome all obstacle in order to develop their bilateral and multilateral cooperation and friendship.

He said that Iran wished to further develop economic and commercial ties and investment between the two countries on the basis of the fine political relations. "Iran will enter into long-term cooperation and share experience with Vietnam in the fields that Iran has strength [in]

such as cement, fertilizer, petro-chemical production and infrastructural construction", the Iranian diplomat said. He also expressed his belief that his visit would contribute to promoting mutual understanding, expanding relations between the two countries and between Southeast Asian and mid-Asian countries at large. "Iran is ready to be a bridge for Vietnam to come to the mid-Asian countries", he said.

Speaking to his guest, P.M. Kiet affirmed that the Vietnamese Government was ready to expand cooperation of mutual benefit with Iran in economic, trade and investment, to create convenient conditions for Iranian businessmen to come study possibilities of and develop investment cooperation with their Vietnamese partners.

In his separate reception of the Iranian foreign minister the same day, Chairman of the National Assembly Nong Duc Manh expressed his joy at the fine development of the two countries relations which were marked by President Le Duc Anh's official visit to Iran last May, and the present successful visit of Foreign Minister Velayati.

Meets Nguyen Manh Cam

BK0304061495 Hanoi VNA in English 1507 GMT 1 Apr 95

[FBIS Transcribed Text] Hanoi VNA April 1—Foreign Minister Nguyen Manh Cam and his Iranian counterpart 'Ali Akbar Velayati held talks here this morning. Iranian Ambassador Reza Hoseyn Mirza-Taheri attended the talks. On this occasion Mr. Cam expressed sincere thanks to the Iranian government and people for their support to the Vietnamese people in their national construction and defence. He also expressed the heartfelt feelings of the Vietnamese people towards the struggle for independence and freedom of the Iranian people. He also spoke highly of the great achievements they obtained under the leadership of spiritual leader Khamene'i and President 'Ali Akbar Hashemi-Rafsanjani in their construction of a developed and prosperous country.

FM [Foreign Minister] Velayati voiced the wish of the Iranian Government and people to further promote the existing friendship and cooperation between Vietnam and Iran in conformity with the common interest of the two peoples.

The two ministers expressed satisfaction at the development of the friendly and cooperative ties between the two countries in recent years. They discussed measures to promote the bilateral relations, especially in implementation of economic, trade and cultural agreements signed by the two countries. They affirmed the need of an early meeting of the inter-governmental commission to find ways to develop the multi-faceted cooperation between the two countries.

The two foreign ministers also exchanged views on international and regional issues of common concern.

Meets With Premier, Officials

LD0104203995 Tehran Voice of the Islamic Republic of Iran First Program Network in Persian 1930 GMT 1 Apr 95

[FBIS Translated Text] In separate meetings on Saturday with the Vietnamese prime minister and parliamentary speaker, the foreign minister of the Islamic Republic of Iran [Ali Akbar Velayati] discussed bilateral cooperation. Our correspondent reports:

[Begin correspondent recording] On the last leg of his tour of China, Thailand, and Vietnam, our country's foreign minister met and conferred with the prime minister of Vietnam, Mr. Vo Van Kiet, yesterday evening [1 April]. At the meeting, the prime minister of Vietnam stressed his country's wish and determination to expand relations with Iran and described as useful the exchange of delegations towards finding grounds and possibilities for expanding ties, especially in the fields of commerce and economics. He stressed that Iran has extensive and valuable experience in many industries, especially oil and gas, and asked to be allowed to benefit from this experience in the fields of exploration, refining oil and constructing cement plants, as well as in joint cooperation in agriculture and fisheries.

Dr. Velayati, for his part, spoke of the two countries' friendly and increasing ties in all fields, and stressed the need for strengthening economic ties on the basis of the two countries' will and political support for the consolidation of relations in all areas.

Our country's foreign minister also met and conferred with Mr. Nong Duc Manh, the Vietnamese chairman of the National Assembly. The Vietnamese chairman of the National Assembly described the victory of the Islamic revolution in Iran as a great achievement for the people of our country towards the attainment of independence, progress and political strength and added: The expansion of ties between Iran and Vietnam in all areas is the heartfelt wish of the Vietnamese people and National Assembly.

Dr. Velayati, for his part, referred to the long-standing history of Iranian and Vietnamese civilization and their past record of struggle against foreigners for the sake of their independence, and stressed the need for expanding and consolidating relations between the two countries. He also referred to the invitation extended by the Majles speaker to Nong Duc Manh to visit Iran and said this would be another stride towards the consolidation of the friendly ties between Hanoi and Tehran.

At the meeting, the two sides informed one another about legislation and the other duties of their country's

parliaments. This has been the Voice and Vision of the Islamic Republic of Iran, Kuala Lumpur [end recording]

Leaves for Southern Provinces

BK0304055395 Hanoi VNA in English 1348 GMT 2 Apr 95

[FBIS Transcribed Text] Hanoi VNA April 2—Iran's Foreign Minister Ali Akbar Velayati and his entourage left here today for southern provinces. The Iranian guests were seen off by Vietnam's Foreign Minister Nguyen Manh Cam, Iranian Ambassador to Vietnam R.H. Mirza-Taheri and others.

Radio Reviews Visit

BK0404102395 Hanoi Voice of Vietnam in English 1000 GMT 3 Apr 95

[Radio commentary]

[FBIS Transcribed Text] Iran's Foreign Minister Ali Akbar Velayati left Hanoi on Sunday [1 April]. His three-day visit to Vietnam was to promote bilateral relations. During his stay here, Mr. Velayati affirmed that Iran was ready to act as a bridge for Vietnam into the Middle East. Here is our radio editor's opinion:

Iran is an Asian center of the Asian civilization. Although involved in many complicated and difficult internal and regional conflicts, Iran is still concerned with promoting relations with Vietnam. The visit to Vietnam of Iran's Foreign Minister Mr. Velayati is part of this goal. His two-hour talks with Vietnamese Foreign Minister Nguyen Manh Cam also focused on this topic. The two leaders both commented that the talks took place in a warm and useful manner. They decided to expand cooperative ties with Vietnam supply Iran with rice, coffee, tea, and rubber in exchange for fertilizer and oil products while Iran can help with oil refinery, food production, rubber, tree planting, food canning, and education and training. The Iranian foreign minister also said his government and people were determined to promote existing relations and share experience with Vietnam in these fields.

Vietnam shared the same attitude with Iran. Prime Minister Vo Van Kiet during the reception given to the Iranian foreign minister said: The Vietnamese Government is ready to broaden economic, trade, and investment relations with Iran for mutual benefits. He also said that Vietnam would create favorable conditions for Iranian businessmen to come and develop cooperation and investment with their Vietnamese counterparts. These conditions will help both countries reach their objectives and serve as a foundation for bilateral relations to continue to develop. It will help the Vietnamese people further understand the Moslem country and people of Iran, which has a long potential for tourism.

Iranian Aid in Building Oil Refinery Discussed

LD0204134895 Tehran Voice of the Islamic Republic of Iran in English 1130 GMT 2 Apr 95

[FBIS Transcribed Text] In a meeting between the Iranian and Vietnamese officials, the issue of signing economic agreement, including Iran's participation in the construction of an oil refinery in Vietnam, has been discussed.

According to a REUTER report, the Vietnamese Foreign Minister Nguyen Manh Cam said in this regard: Sharing

the experiences in the oil industry, Iran and Vietnam will manage to construct a refinery with the final cost much less than that proposed by other foreign investors.

Mr. Cam added: The two countries are in favor of boosting ties in different spheres, including construction of refineries, production of chemical fertilizers from natural gas, cement production, mining production of gems, and planting rubber, tea, and fruits.

Iran and Vietnam agreed last May to increase the volume of their annual trade exchanges from \$60 to \$70 million.

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